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State Lands, Dept. of

Report. Biennial

STATE OF MONTANA



REPORT

OF THE

Commissioner of State Lands and Investments

For the Two Fiscal Years
Beginning July 1, 1930, and
Terminating June 30, 1932

TO

THE HONORABLE J. E. ERICKSON
GOVERNOR

L. M. BRANDJORD

Commissioner of State Lands and Investments

NANITA B. SHERLOCK,
Assistant Commissioner

L. E. CHOQUETTE,
State Land Agent



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**AMENDMENT TO ENABLING ACT
PERMITTING SALE OF GRAZING LANDS AT \$5.00 PER ACRE,
REMOVING THE LIMITATION OF 640 ACRES ON THE QUANTITY
OF LAND THAT MAY BE LEASED TO ONE PERSON OR COM-
PANY, AND MAKING OTHER CHANGES**

(Public—No. 124—72d Congress S. 2396)

An Act to amend section 11 of the Act approved February 22, 1889 (25 Stat. 676), relating to the admission into the Union of the States of North Dakota, South Dakota, Montana, and Washington.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That section 11 of the Act approved February 22, 1889 (25 Stat. 676), be, and the same is hereby, amended to read as follows:

"That all lands granted by this Act shall be disposed of only at public sale after advertising—tillable lands capable of producing agricultural crops for not less than \$10 per acre and lands principally valuable for grazing purposes for not less than \$5.00 per acre. Any of the said lands may be exchanged for other lands, public or private, of equal value and as near as may be of equal area, but if any of the said lands are exchanged with the United States such exchange shall be limited to surveyed, nonmineral, unreserved public lands of the United States within the State.

"The said lands may be leased under such regulations as the legislature may prescribe; but leases for grazing and agricultural purposes shall not be for a term longer than five years; mineral leases, including leases for exploration for oil and gas and the extraction thereof, for a term not longer than twenty years; and leases for development of hydroelectric power for a term not longer than fifty years.

"The State may also, upon such terms as it may prescribe, grant such easements or rights in any of the lands granted by this Act, as may be acquired in privately owned lands through proceedings in eminent domain: Provided, however, That none of such lands, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the State.

"With the exception of the lands granted for public buildings, the proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted. Rentals on leased lands, interest on deferred payments on lands sold, interest on funds arising from these lands, and all other actual income, shall be available for the maintenance and support of such schools and institutions. Any State may, however, in its discretion, add a portion of the annual income to the permanent funds.

"The lands hereby granted shall not be subject to preemption, homestead entry, or any other entry under the land laws of the United States whether surveyed or unsurveyed, but shall be reserved for the purposes for which they have been granted."

Sec. 2. Anything in the said Act approved February 22, 1889 inconsistent with the provisions of this Act is hereby repealed.

Approved, May 7, 1932

State of Montana

REPORT

OF THE

Commissioner of State Lands
and Investments

For the Two Fiscal Years
Beginning July 1, 1930, and
Terminating June 30, 1932.

**OFFICERS OF THE DEPARTMENT OF
STATE LANDS AND INVESTMENTS**

The State Board of Land Commissioners is the governing board created by Section 4 of Article XI of the Constitution, and consists of the following officers:

Hon. J. E. Erickson, Governor, President
Hon. Elizabeth Ireland, Superintendent of Public Instruction
Hon. W. E. Harmon, Secretary of State
Hon. L. A. Foot, Attorney General

Officers Under This Board:

L. M. BRANDJORD

Commissioner and Secretary to the Board

NANITA B. SHERLOCK,
Assistant Commissioner

L. E. CHOQUETTE,
State Land Agent

RUTLEDGE PARKER,
State Forester (Address Missoula)

L. L. WHITE,
Forest Warden

OFFICERS OF STATE LAND DEPARTMENT FROM 1891 TO 1932

YEAR	STATE BOARD OF LAND COMMISSIONERS				REGISTER**	LAND AGENT	STATE FORESTER
	Governor	Supt. Pub. Inst.	Secy. of State	Atty. General			
1890-1892	Jos. K. Toole	John Gannon	L. Rotwitt	H. J. Haskell		Granville Stuart	
1893-1894	John E. Rickards	E. A. Steere	L. Rotwitt	H. J. Haskell	S. A. Swiggett Appd. 3/25/1895	R. O. Hickman	
1895-1896	John E. Rickards	E. A. Steere	L. Rotwitt	H. J. Haskell	H. D. Moore	J. M. Page	
1897-1900	Robt. B. Smith	E. A. Carleton	T. S. Hogan	C. E. Nolan	Thos. D. Long	Henry Neill	
1901-1904	Jos. K. Toole	W. W. Welch	Geo. M. Hays	James Donovan	John. P. Schmit	Henry Neill	
1905-1908	Jos. K. Toole	W. E. Harmon	A. N. Yoder	Albert J. Galen	John. P. Schmit	Henry Neill	
1909-1912	Edw. L. Norris	W. E. Harmon	T. M. Swindlehurst	Albert J. Galen	F. H. Ray	C. A. Whipple	C. W. Jungberg
1913-1916	S. V. Stewart	H. A. Davee	A. M. Alderson	D. M. Kelly J. E. Poindexter	Sidney Miller	C. A. Whipple	John C. Van Hook
1917-1920	S. V. Stewart	May Trumper	C. T. Stewart	S. C. Ford W. D. Rankin L. A. Foot*	Sidney Miller	C. A. Whipple	John C. Van Hook
1921-1924	Jos. M. Dixon	May Trumper	C. T. Stewart	L. A. Foot	H. V. Bailey	Geo. W. Cook	R. P. McLaughlin
1925-1926	J. E. Erickson	May Trumper	C. T. Stewart**	L. A. Foot	I. M. Brandford	L. E. Choquette	Rutledge Parker
1926-1928	J. E. Erickson	May Trumper	J. W. Mountjoy	L. A. Foot	I. M. Brandford	L. E. Choquette	Rutledge Parker
1928-1930	J. E. Erickson	Elizabeth Ireland	W. E. Harmon	L. A. Foot	I. M. Brandford	L. E. Choquette	Rutledge Parker
1930-1932	J. E. Erickson	Elizabeth Ireland	W. E. Harmon	L. A. Foot	I. M. Brandford	L. E. Choquette	Rutledge Parker

*Mr. Foot served the last four months of Mr. Rankin's term in 1924.

It will be noted that there was a State Land Agent before there was a Register of State Lands. Mr. Granville Stuart, the first Land Agent, was appointed under an act of the state legislature approved March 6, 1891. The office of Register of State Lands was created by an act of the state legislature approved March 7, 1895. Mr. S. A. Swiggert was the first Register and assumed the duties of the office on March 25, 1895. Prior to the creation of the office of Register the greater part of the routine business of the Land Office was transacted directly by the State Board of Land Commissioners. The Superintendent of Public Instruction acted as its secretary, and continued to serve in that capacity until March 19, 1909, on which date a general revision and codification of the State land laws took effect, under which the Register acts as secretary.

**From and after July 1, 1928, the official title of the Register is "Commissioner of State Lands and Investments".

***The services of C. T. Stewart as Secretary of State terminated on March 4, 1927; R. N. Hawkins served as Secretary from March 5 to May 1, 1927; William Powers served as Secretary from May 1, 1927, to April 15, 1928, and John W. Mountjoy assumed the office April 15, 1928.

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STATE OF MONTANA

DEPARTMENT OF STATE LANDS AND INVESTMENTS

Helena, Montana, October, 1932

Honorable J. E. Erickson,
Governor of the State of Montana.

My dear Governor:—

"The business depression is the dominant subject before the country and the world today. Its blight stretches from all quarters of the globe to every business place and every cottage door in our land." So spoke President Hoover in his address before the Indiana Editorial Association on June 15, 1931. During the entire year following that address, the business depression became deeper and deeper, and the State of Montana has not escaped its distressing invasion. Prices on products from farm and ranch have seriously slumped, in many cases more than one half; and the drought prevailing in our state during the years of 1930 and 1931 resulted in partial or complete failure of the wheat crop and in a shortage of hay and other forage. This unfortunate combination of small crops and ruinously low prices has resulted in exceedingly trying economic and financial conditions.

The following figures will give some idea of the far-reaching and serious depression which is still afflicting the people of our State:

Wheat Production and Prices for Montana

Year	Total Wheat Crop (U. S. and State Figures)	Price Received Dec. 1, Each Year (U. S. Figures)	Total Value Based on the Foregoing Figures
1927	80,208,000 bushels	\$0.96	\$76,999,680.00
1928	78,943,000 "	0.93	73,416,990.00
1929	41,290,000 "	0.95	39,225,500.00
1930	35,313,000 "	0.48	16,950,240.00
1931	14,684,000 "	0.55	8,076,200.00

At other times during these years much lower prices prevailed than on December first.

It will be noted that the 1931 wheat crop amounted to less than fifteen million bushels, and brought returns of only about eight million dollars—less than 11 per cent of the value of the 1927 crop. As these returns came from more than four million acres of land, it is evident that they do not even pay for the cost of cultivating and harvesting, let alone seed, interest on investment, and taxes. Unquestionably the returns from the 1931 wheat crop represent a huge loss to the farmers of the state.

Livestock and Other Montana Products

Prices on livestock and livestock products slumped even more seriously. The following figures obtained from the Bureau of Agricultural Economics give most discouraging information on this subject:

Farm Prices Obtained in Montana

Product	Dec 15, 1928	Dec. 15, 1929	Dec. 15, 1930	Dec. 15, 1931
Beef Cattle per 100 lbs.	\$ 9.00	\$ 8.20	\$ 6.00	\$3.90
Sheep do.	8.30	7.30	4.00	2.70
Lambs do.	11.20	10.20	5.40	3.60
Hogs do.	8.00	8.50	7.60	3.80
	July 15, 1928	July 15, 1929	July 15, 1930	July 15, 1931
Wool (unwashed) per lb.	0.38	0.29	0.21	0.13

Prices on the products of mine and forest have fallen to corresponding levels—in many cases below the actual cost of production.

Unemployment

Unemployment throughout the United States has steadily been on the increase since the fall of 1929, and the number of unemployed on June 30, 1932, has been estimated as high as ten million people, some estimates running even higher. A great portion of these millions, wasting their lives in compulsory idleness, are heads of families. According to the 1930 census, the average family in the United States consists of 4.1 persons, and it therefore seems likely that between twenty and thirty million people—men, women and children—are deprived of their usual means for obtaining food, clothing and shelter. When we bear in mind that additional millions are employed only part time, we may to some extent realize the appalling nature of the unemployment tragedy. In its blighting and paralyzing effects on human life it may be compared to the greatest catastrophes of civilization—like the Black Death and the World War.

American Red Cross

During the period beginning July 1, 1931, and terminating with May 1, 1932, the American Red Cross expended in cash the total sum of \$741,442.11 as drought relief in the State of Montana. Of this amount the sum of \$156,785.85 was raised within the state, and the remaining sum of \$584,656.26 was made up of contributions coming from outside the state. In addition to this, various kinds of supplies worth more than \$100,000.00 were also distributed through the Red Cross organization. The Red Cross carried on relief work in 36 of the 56 counties of the state and assistance was given to 10,980 families or a total of 50,123 persons.

Effects of Depression on This Department

Inevitably these conditions have had an unfavorable effect on the business of this department as on practically all other kinds of business; the income has slumped badly as the following figures will show:

Gross Income	For Year Ending
\$1,588,916.71	June 30, 1929
1,536,964.63	" 1930
1,314,364.67	" 1931
1,020,005.16	" 1932

The decrease has been heaviest in payment of interest on land purchase contracts and mortgages; payments of rentals on leases have kept up far better, and interest on bonds and warrants taken together shows only a slight decrease.

The foregoing figures include all the actual income realized through this department for the public schools, the State itself and its various institutions. They do not include the receipts for the permanent funds arising from the sale of lands and timber, repayments on mortgages, oil and coal royalties and so forth, but these receipts have decreased even more heavily than the income.

The total permanent assets of the department have, however, not only held their own but even show a slight increase, rising from \$69,367,185.55 on June 30, 1930, to \$69,400,923.68 on June 30, 1932. This increase represents the actual addition of new wealth as explained under Table No. 8, "Permanent Assets June 30, 1932". Other tables found throughout the report and explanatory notes furnish comprehensive and detailed information in regard to the transactions of the department and other matters merely touched upon in this introductory letter.

On account of the conditions that have prevailed, this department has found it necessary and proper to exercise a great deal of leniency with lessees, purchasers of State lands and other customers of the State—a leniency carried so far that under ordinary economic conditions it would have been deserving of the severest censure. The letter of the law and the terms of the contracts have been tempered with mercy. It is believed that by operating the department in this spirit, we have been able to serve the struggling people throughout the state in a fuller measure.

Progress

It is a source of deep satisfaction to be able to report to you that notwithstanding the depression in all its ramifications, this department has made substantial progress of an enduring nature during the last two years. We have planned and builded for a greater future in the way of more assets, better records and equipment and wiser laws, thereby increasing the efficiency and usefulness of the department for the benefit of all the people of the State.

Under your first appointment I commenced work in this department on April 15, 1925; and ever since that time the work has been carried on of improving its records, installing and perfecting an up to date accounting system, and revising and improving the statutes that deal with its organization and administration. Nearly every form and record has now been revised and numerous new forms and records have been provided. The department holds nearly ten million dollars in bonds of school districts, towns, cities and counties, the State itself and the United States, and we have prepared complete records giving all essential information in regard to each and every one of these bonds. The huge

task of completing the records showing the condition of the State's title to nearly six million acres of land granted to the State by the Federal Government has now been practically completed. These records comprise eleven large volumes.

Considerable information in regard to recent legislation relating to this department will be found in the body of this report beginning on page 70.

Power Sites

The last biennial report of this department contains a report on power sites on State lands in western Montana which had been claimed by the United States but which in reality belong to the State. The United States has now relinquished any and all claims on these power sites, so that this important work has now been completed. See page 30. The 1931 session of the State Legislature enacted a law originating in this department reserving power sites on State lands from sale and making provision for their development and utilization under lease from the State Board of Land Commissioners (Chapter 123, Laws of 1931). Under this legislation these sources of power may be preserved perpetually and serve the State of Montana, its schools and its people, as long as the waters continue to flow down hill.

Proposed Additional Land Grants

The movement inaugurated by President Hoover to have more of the public lands of the United States turned over to the Western States for the benefit of our schools and institutions has made substantial progress. Montana's senior senator, Thomas J. Walsh, has a bill now pending in the Senate of the United States which proposes to grant to the states the remaining public lands including the minerals therein outside of national parks and monuments, national forests, Indian reservations and other national reservations. In full accordance with your ideas this proposed grant includes all the minerals, but at the same time it affords the fullest possible protection to prospectors and miners and also makes provision for the maintenance of the United States Reclamation Service. As far as this department is concerned, this is unquestionably the greatest legislative project ever undertaken since Montana became a state. The resources involved are worth millions upon millions, possibly billions.

Amendment to Enabling Act

It has long been apparent that the Enabling Act, approved by Congress February 22, 1889 (25 Stat. 676), through which Montana received practically all its lands from the United States, is seriously defective in several provisions dealing with the disposition and sale of these lands. Under the original Act no lands however poor could be sold for less than \$10.00 per acre; no provision is made for the exchange of lands, and the quantity that may be leased by one person or company is limited to one section. The minimum price requirement of \$10.00 per acre has made it impossible for the State to dispose of any considerable

areas of grazing lands, and the limitation on the quantity that may be leased to one person or company of one section has proved exceedingly troublesome. To remedy these defects a proposed amendment was prepared in this department, revised and introduced by Senator Walsh, piloted through the House by Representative Evans, and finally enacted into law by the approval of the President on May 7, 1932. It will make possible the sale of considerable areas of grazing lands as soon as normal conditions return to the state, and will be found exceedingly helpful in many other ways. The changes made are so fundamental and far reaching that they are likely to mark the beginning of a new epoch in the history of this department. As you are fully aware, an act of our State Legislature is required to make this amendment effective.

State Farm Loans

I believe that legislation should be enacted acknowledging the liability of the State for the more than four and one quarter million dollars invested from the Public School Permanent Fund in State farm loans and providing a plan for repayment. I am glad to testify that not one single new farm loan has been made during your entire administration, but the bulk of the farm loans made through previous administrations remain unpaid and do not constitute a satisfactory form of investment for the Public School Permanent Fund. Under the provisions of our Constitution this fund "shall forever remain inviolate, guaranteed by the State against loss or diversion". This constitutional guarantee should be carried into effect through appropriate legislation.

Three Great Objectives

As indicated by the foregoing topics, there are three great objectives before this department for which the plans have already been laid and for which we are constantly laboring. These three objectives are:

1. Obtaining the proposed additional land grants including the minerals;
2. Placing the lands of the State except timber and mineral lands in private ownership as rapidly as demand arises;
3. The adoption of a plan by the State Legislature for the gradual repayment of the more than four and one quarter million dollars from the Public School Permanent Fund invested in State Farm loans.

The foundation for acquiring additional land grants is laid in the before mentioned bill of Senator Thomas J. Walsh now pending in Congress (Senate Bill 4060). The coal deposits in our state, reserved by the United States and included in the lands to be granted to the State under the Walsh bill, are of enormous extent. It is estimated that there is over four hundred billion tons of coal within the boundaries of our state, and a very substantial portion of this vast amount is reserved by the United States. This fabulous wealth should become the sole property of the State of Montana and its people.

A more rapid disposition of our grazing lands is made possible through the amendment to the Enabling Act above discussed making it lawful to sell grazing lands at a price as low as \$5.00 per acre. The proceeds from the sale of these lands will bring a far better income to the schools of the State than rentals from leases, and when placed in private ownership the lands will be improved and developed and thereby contribute to the upbuilding of the communities in which they are located. It would be unwise to press this part of the program before normal economic conditions return to the state.

The plan for the repayment of the permanent school funds invested in State farm loans should provide for the payment of interest at the rate of about $4\frac{1}{2}$ per cent per annum, and for the repayment of the principal at a rate of not less than $2\frac{1}{2}$ per cent per annum. This would require forty years for the full repayment and would not be excessively burdensome. The honor of the State as trustee for a fund requires the discharge of this obligation.

The first and the third of these three great objectives are discussed more fully in the body of the report.

I appeal to the State Board of Land Commissioners and to all public spirited citizens of the state, both in office and out of office, to give their vigorous support toward the carrying out of these constructive plans.

Historical Significance of This Department

In the administration of this department with its huge resources in land and its millions of investments and money, we endeavor to bear in mind that all of this vast heritage has its origin, purpose and significance in the lofty ideals and inspiring vision of the Founders of the Republic. They beheld in prophetic vision a mighty nation governed by the people themselves, a government that would bring about the liberation and enrichment of human life through the enthronement of justice, the rule of equality and the diffusion of knowledge. They were strong in the faith that justice and equality, progress and happiness could be attained in the highest measure through a government in which each individual citizen had the fullest possible share. They believed that the life of the individual and the government of the nation would best unfold in the atmosphere of liberty and the light of knowledge. They realized that in a government by all the people, all the people should be enlightened. So they established free public schools and set aside large areas of land for their perpetual maintenance. Not fully, but to a vast extent their ideals have become realities.

The administration of this great heritage with intelligence and sincerity in steadfast adherence to the original purpose will aid in a small measure toward a fuller realization of these lofty ideals of the Founders of the Republic.

Appreciation of Supervision and Service

Allow me to express my sincere gratitude for the deep interest that you are always showing in this department, for your constant encouragement and helpful counsel. I am also deeply indebted to the

other members of the State Board of Land Commissioners for their fine supervision and broad minded attitude.

And let us not overlook the good men and women who carry on the immense amount of continuous work in this department. They are serving with a high degree of intelligence, fine efficiency, and real insight into the problems and difficulties of the people of our state. To all of them I want to express my deep appreciation for their splendid service.

Very gratefully yours,

L. M. BRANDJORD,

Commissioner of State
Lands and Investments.

TABLE No. I
INCOME FROM ALL SOURCES DURING ENTIRE FISCAL YEAR, JULY 1, 1930, to JUNE 30, 1931

Institutions and Funds to Which the Income Belongs	Rentals on Agricultural and Grazing Leases.	(Grazing Fees Collected by State Forester.	Rentals on Oil and Gas Leases.	Interest on Land Sales (C. P.s.)	Interest on Farm Mortgages	Interest on Bonds.	Interest on Warrants	Bank Deposits.	Fees and Penalties.	TOTALS.
State General Fund	\$ 287,434.15	\$ 5,848.05	\$ 58,515.30	\$154,743.40	\$110,247.29	\$362,232.42	\$82,331.90	\$36,097.88	\$22,073.45	\$ 22,073.45
Public Schools	1,738.65	64.00		2,030.29		24,217.25				1,097,450.39
State University	5,882.72			2,961.92		9,886.03				28,030.19
Agr. Col. Merrill Grant	5,112.00	233.19		812.39		28,761.23				18,230.67
School of Min. Second Grant	5,041.50	239.88	243.16	3,209.43		32,283.68				30,038.81
School of Min. Schools	3,211.07	161.25		1,242.56		36,198.19				41,167.65
State Normal Schools	1,947.20	157.25	240.90	1,734.05		10,491.79				35,233.97
State and Dumb Asylum	2,266.87	225.10		1,629.92		10,177.23				13,728.97
State Reform School	4,131.37	1,226.28		3,823.04		216.30				13,399.12
State of Buildings	136.05			107.62		4,989.29				9,190.69
State of Home				47.50						483.97
Mont. Trust & Legacy Fd.										4,989.29
O. H. & T. L. Society										47.50
TOTALS	\$ 312,035.58	\$ 8,333.68	\$ 59,049.36	\$170,812.12	\$110,247.29	\$513,383.41	\$82,331.90	\$36,097.88	\$22,073.45	\$1,314,364.67

The foregoing represents all the income from the Federal Land grants and from funds arising from land sales received during the fiscal year ending June 30, 1931. It indicates the various sources of this income, shows the amount received from each, and gives the names of the institutions and funds to which the income belongs. The figures given show the total gross income actually received without regard to subsequent refunds or deductions. When the full agricultural rental has been paid and the land is summer-fallowed the lessee is entitled to a partial refund. The total rental refund during the year came to \$3,782.74. Interest accrued on bonds at the time of delivery to the State for payment is also refunded; the total for the year amounted to \$15,664.67.

Every dollar of the net income is used for the operation and maintenance of the schools or institutions to which the income belongs, except that 5% of the total income is used for the public schools in accordance with the permanent fund itself and becomes an inseparable and inviolable part thereof under the provisions of Section 5 of Article XI of the Constitution.

Owing to the poor crops raised during the years of 1930 and 1931 and the ruinously low prices prevailing on all farm products and other Montana products, the gross income shows a total decrease of \$222,549.96 from the income for the previous fiscal year.

Rentals on agricultural and grazing leases decreased more than \$85,000.00; rentals on oil and gas leases decreased about \$34,000.00; interest on land sales nearly \$50,000.00, and interest on farm mortgages nearly \$62,000.00. Interest collected on bonds, warrants and deposits showed an increase of more than \$7,000.00 and other income gained about \$2,000.00, reducing the net decrease to about \$222,000.00 as above given.

The fees for grazing permits on timber lands are collected by the State Forester and by him paid over to the State Treasurer. The interest on bonds, warrants and bank deposits is paid directly to the State Treasurer; the other income is collected by this department.

TABLE No. II.

RECEIPTS FOR PERMANENT FUNDS FROM ALL SOURCES DURING FISCAL YEAR, JULY 1, 1930, TO JUNE 30, 1931

Institutions and Funds to Which the Receipts Belong	Land Sales	First Payments	Installments on (C. P.'s)	Timber Sales by State Forester	Oil and Gas Royalties	Coal, Sand and Gravel, Royalties, Etc.	Total of These Initial Payments	Repayments on Mortgages	Repayments on Bonds	Repayments Fund Warrants	TOTAL
	\$ 4,310.29	\$ 7,325.34	\$ 121,012.56	\$ 8,694.63	\$ 61,477.33	\$ 1,652.41	\$ 260,802.75	\$ 11,812.61	\$ 990,000.00	\$ 2,164,193.23	\$ 3,812,819.52
Public Schools							3,163.77		386,619.90		41,009.78
State University							2,681.19		14,754.02		17,095.21
Agri. Col. Morrill Grant									15,764.87		
Agri. Col. - Second Grant									25,000.00		
School of Mines									58,282.96		
State Normal Schools									54,257.56		
Deaf & Dumb Asylum									3,663.50		
State Reform School									13,906.58		
Capital Buildings											
Cadets' Homes									719.62		
Mont. Trust & Legacy Fd.									1,332.29		
O. H. & T. E. Society											
TOTALS	\$ 12,194.13	\$ 195,269.99	\$ 32,291.83	\$ 8,694.63	\$ 61,477.33	\$ 1,652.41	\$ 262,888.69	\$ 11,812.61	\$ 1,632,300.67	\$ 2,164,193.23	\$ 4,111,145.23

U. S. Securities.

Five Percent U. S. Land Sales.

Rights of Way.

5% Total Income for 1930.

It should be clearly understood that no part of the receipts for the permanent funds can be expended for the maintenance of the public schools or state institutions; these receipts are constantly being added to the permanent funds themselves. The grants for public buildings at the State Capital differ from the other grants in this particular, that both the income from the lands and the proceeds from their sale are available for building purposes; no permanent fund is contemplated. But as to all other land grants to our State, it is the purpose and intent of the granting act that the proceeds from the sale of lands shall constitute permanent funds of which the income alone can be expended.

This purpose is fully carried out through the constitution and statutes of the state. When lands are sold, the proceeds go to the permanent funds. Timber, oil, gas, and coal are considered as being part of the land itself and for this reason the proceeds from the sale and disposition thereof are added to the permanent funds.

The receipts of "new money" for our permanent funds decreased in proportion even more than the income, but the underlying reasons are the same. On account of the unfavorable conditions there were practically no land sales; payment of installments on previous sales fell off about \$100,000.00; timber sales decreased practically \$33,000.00; oil royalties show a decrease of about \$89,000.00; and other receipts decreased in smaller amounts. The total decrease in receipts from land sales, deferred payments on land sales, timber sales, oil, gas and coal royalties was just about \$263,000.00; but the redemption of bonds and warrants increased more than \$615,000.00, making the total receipts for the permanent funds substantially larger than for the previous year.

Payments on timber sales and payments on bonds and warrants are made directly to the State Treasurer; the other collections for the permanent funds are made through this department.

TABLE No. III
INVESTMENTS MADE DURING FISCAL YEAR ENDING JUNE 30, 1931

FUNDS INVESTED	U. S. Bonds	County, City and Town Bonds	School Dist. Bonds	State General Fund War-Pants	TOTALS
Public School Perm. Fund	\$97,500.00	\$1,027.35	\$392,884.31	\$2,711,609.82	\$4,229,348.79
State University Perm. Fund	17,800.00	.....	17,800.00
Agril. Col.—Morrill Grant Perm. Fund	18,130.00	.....	18,130.00
Agril. Col.—Second Grant Perm. Fund	5,000.00	.....	.....	5,000.00
School of Mines Perm. Fund	16,130.00	.....	16,130.00
State Normal School Perm. Fund	60,000.00	33,500.00	.....	93,500.00
Deaf and Dumb Asylum Perm. Fund	23,000.00	33,076.71	.....	56,076.71
State Reform School Perm. Fund	18,633.45	.....	18,633.45
Montana Trust and Legacy Fund	17,200.00	.....	17,200.00
Veterans' Memorial Fund	5,200.00	.....	5,200.00
Public School Int. & Income Fund	7,000.00	500,269.04	507,269.04
W. W. Dixon Endowment Fund	7,000.00	8,102.83	15,102.83
TOTALS	\$97,500.00	\$1,115,354.57	\$631,359.47	\$3,219,981.69	\$5,064,186.73

Table No. XX contains an itemized list of all the investments summarized in this table.

All investments by this department are made under the orders and supervision of the State Board of Land Commissioners. On account of the large redemption of bonds and warrants made during the fiscal year as shown in Table II and the explanatory note, great sums of money were available for investment, and investments were made accordingly, reaching the substantial total of more than five million and sixty-four thousand dollars as shown in detail in the foregoing table. This is by far the largest amount invested by this department during any one fiscal year in its history.

It is believed that all these millions are safely invested. The economic depression now prevailing may result in some installments becoming delinquent, but as normal times return, these delinquent installments will be taken up and ultimately every dollar will be repaid in full. The form of bond that the State has devised for its borrowers, namely the amortization bond, will help immensely in bringing this result about. The amortization bond makes it easy for the borrower to repay the money. A part of the principal is repaid with each interest payment, the total paid as interest and as installment on principal remains the same, and when the last installment is paid, the bond is repaid in full. The amortization plan saves the taxpayers of the state huge sums in interest, and vastly increases the safety of the investment.

Every dollar collected as interest from all these investments accrues to the benefit of the public schools and various state institutions; in this way it returns to the borrowers and takes the place of another dollar which otherwise would have to be raised as taxes.

TABLE No. IV.
PERMANENT ASSETS JUNE 30, 1931

Institutions and Funds to Which the Assets Belong	Value of Un- sold Lands at \$10 Per Acre	SECURITIES							TOTALS
		Deferred Payments (on Land Sales (C. P. S.))	Parm Mortg- gages	U. S. Secur- ities & Fed- Land Bonds	State Bonds	(County, City, Town and School Dist. Bonds	State Gen- eral Fund Warrants	Cash With State Treas- urer	
Public Schools.....	\$11,732,505.40	\$6,041,408.55	\$4,270,912.18	\$989,500.00	\$317,647.50	5,156,695.73	2,172,115.85	532,694.29	\$61,523,309.50
State University.....	173,698.30	66,750.92		49,600.00	80,000.00	350,943.27		3,291.17	724,253.96
Ag. Col. Morrill Grant	610,558.20	63,438.17			10,000.00	172,993.28		4,147.16	860,836.81
Ag. Col. 2nd Grant	389,683.20	25,670.41			308,000.00	228,364.28		3,845.93	955,563.95
School of Mines.....	576,193.90	139,909.02			115,000.00	190,109.09		3,806.16	1,225,018.17
State Normal Schools	681,391.50	16,012.69			50,000.00	512,419.16		3,481.70	1,326,305.05
Deaf and dumb Asy.	369,672.60	19,417.68		19,600.00	39,000.00	108,737.51		3,521.55	589,979.27
State Reform School	369,999.25	12,923.01				190,521.00		2,958.88	581,802.17
Capital Buildings	1,231,617.30	110,490.63			5,400.00			6,096.07	1,318,201.00
Soldiers' Home	9,978.70	3,166.11						89.108	17,663.98
O. Home & T. B. Soc.	650.00	1,886.54				3,625.09		2,036.51	7,626,246.25
Mont. Tr. & Leg. Fund						81,807.71		31,277.80	113,085.51
TOTALS	\$46,118,918.35	\$8,530,273.79	\$4,270,912.18	\$1,088,500.00	\$925,047.50	7,626,246.25	2,172,115.85	606,015.09	\$69,368,059.01

It is worthy of note that the total of all these assets, as above shown, exceeds Sixty-nine Million Dollars.

The cash balance belonging to the Public School Permanent Fund in the State Treasury on June 30, 1931, was \$37,565.20 over the cash balance above shown on account of outstanding orders for the payment of bonds and other investments acquired by this department which had not been presented for payment in the State Treasurer's office on June 30th.

The State is responsible for the investment and perpetual preservation of these various permanent funds. Section 3 of Article XI of the Constitution provides that the public school fund "shall forever remain inviolate, guaranteed by the State against loss or diversion, to be invested, so far as possible, in public securities within the state." Section 12 of the same article provides that "the funds of the state university and of all other state institutions of learning, from whatever source accruing, shall forever remain inviolate and sacred to the purpose for which they were dedicated . . . and shall be guaranteed by the State against loss or diversion."

Figuring the unsold lands at the same price as formerly, namely the minimum sales price of \$10.00 per acre, the total assets remain practically the same as one year ago, showing the slight gain of less than \$1,000.00. The depression made itself strongly felt and resulted among other things in the surrender and cancellation of 246 certificates of purchase of State lands embracing more than 44,000 acres and carried on our records at more than \$294,000.00. Upon the cancellation of purchase of these certificates, the lands were restored to the unsold class and are carried at \$10.00 per acre the same as all other lands, resulting in a shrinkage in the book value of our assets of a little over \$153,000.00. This shrinkage was, however, slightly more than offset by actual additions to the permanent assets from other sources, the principal ones being as follows: Proceeds of timber sales over \$29,000.00; oil, gas and coal royalties slightly above \$63,000.00 and the addition to the Public School Permanent Fund of 5% of the income during the 1930 calendar year exceeding \$57,000.00.

The most encouraging feature of this statement of assets is that the amount invested in bonds of all kinds shows an increase over the previous year of nearly \$265,000.00 and reached the considerable total of more than \$3,633,000.00 on June 30, 1931. High grade securities should unquestionably be the ultimate form of the permanent trust funds of the State and the gradual shifting of the assets to this form is therefore a movement in the right direction.

TABLE No. V
INCOME FROM ALL SOURCES DURING ENTIRE FISCAL YEAR, JULY 1, 1931, to JUNE 30, 1932

Institutions and Funds to Which the Income Belongs	Rentals on Agricultural and Grazing Leases.	Grazing Fees (Collected by State Forester.	Rentals on Oil and Gas Leases.	Interest on Land Sales (C. P. S.)	Interest on Farm Mortgages.	Interest on Bonds	Interest on Warrants.	Interest on Bank Deposits.	Fees and Penalties.	TOTALS.
State General Fund	194,236.77	4,549.86	34,093.94	70,967.99	58,508.50	339,112.33	107,013.05	20,519.86	\$15,175.12	15,175.12
Public Schools	527.63	44.00		825.22		24,401.06	2.09			829,002.30
State University	3,986.90			1,609.07		24,961.85				25,800.00
Agri. Col.—Morrell Grant				705.49		10,652.88				30,257.82
Agri. Col.—Second Grant	681.60	347.11		1,531.45		29,715.18	3.92			19,297.08
School of Mines	2,367.80	226.63		1,883.77		29,896.09	36.24			33,844.98
School of Normal School	1,818.15	131.28		477.01		10,016.53				33,001.48
Deaf and Dumb Asylum	1,818.15	131.28		477.01		10,016.53				12,442.97
State Reform School	2,204.71	57.35		296.24		10,146.37				12,698.67
Capitol Buildings	3,376.61	924.90		3,266.68		257.32				7,568.19
Soldiers' Home				152.17		6,014.09				6,014.09
Mont. Trust & Legacy Fd.				69.05						69.05
O. H. & T. B. Society										724.02
Veterans' Memorial										
TOTALS	\$211,083.94	\$6,487.18	\$34,093.94	\$80,879.70	\$58,508.50	\$486,201.62	\$107,055.30	\$20,519.86	\$15,175.12	\$1,020,005.16

*For 6 month period only, Jan. 1, 1932, to June 30, 1932.

The foregoing represents all the actual income received by this department during the fiscal year ending June 30, 1932. It indicates the various sources of this income, shows the amount received from each, and gives the names of the institutions and funds to which the income belongs. The figures given show the total gross income actually received without regard to subsequent refunds or deductions. When the full agricultural rental has been paid and the land is summer fallowed, the lessee is entitled to a partial refund. The total rental refund during the year came to \$2,310.45. Interest accrued on bonds at the time of delivery to the State for payment is also refunded and the total for the year amounted to \$14,469.50.

Every dollar of the net income is used for the operation and maintenance of the schools or institutions to which the income belongs, except that 5% of the total income for the public schools is annually added to the permanent fund itself and becomes an inseparable and inviolable part thereof, under the provisions of Section 5 of Article XI of the Constitution. The annual appropriation of the Public School Income Fund is usually made during the month of March and distributes the net income for the previous calendar year.

Owing to the poor crops raised during the years 1931 and 1932 and the ruinously low prices prevailing on all returns from farm and ranch and other Montana products, the gross income shows a total decrease of more than \$290,000.00 from the income for the previous fiscal year.

The fees for grazing permits on timber lands are collected by the State Forester and by him paid over to the State Treasurer. The interest on bonds, warrants and bank deposits is paid directly to the State Treasurer; the other income is collected by this department.

TABLE No. VI
RECEIPTS FOR PERMANENT FUNDS FROM ALL SOURCES DURING FISCAL YEAR, JULY 1, 1931, to JUNE 30, 1932

Institutions and Funds to Which the Receipts Belong	Rights of Way and Land Sales, Etc	Installments on Land Sales (C. P. S.)	Timber Sales by State Forester,	Oil and Gas Royalties,	Coal, Sand and Gravel Royalties, Etc.	Total of These Initial Payments	Repayments on Mortgages	Repayments on Bonds,	Repayments of State General Fund Warrants	GRAND TOTALS
Public Schools	\$8,056.25 () 43,934.69 1,054.26 1,929.40	\$64,984.14	() \$437.30 2,303.29							
State University		1,915.98				1,915.98		25,904.95		28,088.10
Agri. Col.-Morrill Grant	75.00	2,659.01				2,734.01		10,807.17	267.17	13,541.18
Agri. Col.-Secord Grant	457.00	964.72	12,400.37			13,519.09		14,058.00		27,577.09
School of Mines		2,219.19	81.97			2,301.16		48,980.50	407.59	51,689.25
State Normal Schools		971.11	304.34			1,275.45		12,066.17	3,907.33	17,248.95
Deaf & Dumb Asylum	332.25	508.73	224.54			1,065.52		12,206.44		13,271.96
State Reform School	200.00	1,544.10	11.00			1,755.10		13,710.57		15,465.67
Capital Buildings		119.02	34,191.83			34,310.85		488.92		34,310.85
Soldiers' Home		49.43				49.43		5,368.36		5,374.45
Mont. Trust & Log. Fd.										20.02
O. H. & T. B. Society		20.02				20.02				20.02
Veterans' Memorial								**666.14		666.14
TOTALS	\$56,943.85	\$75,952.45	\$49,654.64	\$61,331.76	\$2,555.00	\$245,537.70	\$9,592.74	\$600,520.15	\$1,914,966.88	\$2,770,617.47

Rights of Way, 75% Income of 1931, 75% U. S. Land Sales, Land Sales, First Payment, *Amount Collected by this Dept.
 **For six months period only, Jan. 1, 1932, to June 30, 1932.

It should be clearly understood that no part of the receipts for the permanent funds can be expended for the maintenance of the public schools or state institutions; these receipts are constantly being added to the permanent funds themselves.

The grants for public buildings at the State Capital differ from the other grants in this particular, that both the income from the lands and the proceeds from their sale are available for building purposes; no permanent fund is contemplated. But as to all other land grants to our State, it is the purpose and intent of the granting act that the proceeds from the sale of lands shall constitute permanent funds of which the income alone can be expended.

This purpose is fully carried out through the constitution and statutes of the state. When lands are sold, the proceeds go to the permanent funds. Timber, oil, gas, and coal are considered as being part of the land itself and for this reason the proceeds from the sale and disposition thereof are added to the permanent funds.

The receipts for the permanent funds, taking into account only "new money", or so-called "initial payments", and not the repayments on loans, bonds and warrants have decreased over \$57,000 from the previous fiscal year.

Payments on timber sales and payments on bonds and warrants are made directly to the State Treasurer; the other collections for the permanent funds are made through this department.

TABLE No. VII
INVESTMENTS MADE DURING FISCAL YEAR ENDING JUNE 30, 1932

FUND INVESTED	County, City, and Town Bonds	School Dist. Bonds	* State Gen-eral Fund Warrants	Millage War-rants Issued by Units of the State University	TOTALS
Public Schools Perm. Fund.....	\$415,000.00	\$147,646.89	\$2,122,303.21	.....	\$2,684,950.10
State University Perm. Fund.....	14,618.28	7,000.00	.....	1,061.00	22,679.28
Agri. Col.—Morrell Grant Perm. Fund.....	4,849.14	5,000.00	.....	4,691.06	14,500.20
Agri. Col.—Second Grant Perm. Fund.....	.....	6,950.00	.....	21,898.98	28,848.98
School of Mines Perm. Fund.....	24,618.28	15,000.00	.....	1,375.94	40,994.22
State Normal School Perm. Fund.....	17,880.82	20,000.00	.....	3,907.33	41,788.15
Deaf and Dumb Asylum Perm. Fund.....	10,000.00	4,500.00	.....	.....	14,500.00
State Reform School Perm. Fund.....	.....	13,172.47	.....	.....	13,172.47
Montana Trust and Legacy Fund.....	30,000.00	11,343.16	.....	.....	41,343.16
Soldiers' Home Perm. Fund.....	.....	1,000.00	.....	.....	1,000.00
Veterans' Memorial Fund.....	.....	1,000.00	.....	.....	1,000.00
W. W. Nixon Endowment Fund.....	.....	.....	208,878.13	10,049.82	208,878.13
Public School Int. and Income Fund.....	.....	.....	.....	.....	.....
TOTALS.....	\$516,926.52	\$232,612.52	\$2,331,181.64	\$42,984.13	\$3,123,704.81

*In addition to this investment the sum of \$208,272.46 in State General Fund Warrants was transferred from the Public School Interest and Income Fund to the Permanent Fund on Jan. 4, 1932.

Table No. XXI contains an itemized list of all the investments summarized in this table.

All investments by this department are made under the orders and general supervision of the State Board of Land Commissioners. Very few school houses and other public buildings were erected during the fiscal year and as a result comparatively few bonds were offered for sale; but on account of the decreasing receipts for the permanent funds and for other reasons this department was not even able to purchase all of the bonds issued. As shown by the foregoing table the total investments for the fiscal year came to something over three million dollars, while the investments for the previous fiscal year exceeded five million dollars—the highest in the history of the department.

The services of this department in connection with bond issues is not confined to the mere purchase of the bonds; that is a small part of the work involved. We usually help in the bonding proceedings from the very beginning to the delivery of the bonds and the actual payment of the money. We make a close study of bonding proceedings and have prepared numerous forms and blanks for the aid and guidance of school districts, towns, cities and counties issuing bonds, mortgization bonds, the best re-payment plan for public indebtedness that modern finance has been able to devise. Part of the principal is repaid with each semi-annual interest payment; the total paid as interest and as installment on principal **remains the same throughout the entire term** for which the bonds were issued, and when the last semi-annual installment is paid the bond is repaid in full. The amortization plan saves the taxpayers of the state huge sums in interest and vastly increases the safety of the investment. Every dollar collected as interest from all these investments accrues to the benefit of the public schools and various state institutions; in this way it returns to the borrowers and takes the place of another dollar which otherwise would have to be raised as taxes.

TABLE No. VIII
PERMANENT ASSETS JUNE 30, 1932

Institutions & Funds to Which the Assets Belong	Value of Un- sold Lands at \$10 Per Acre.	Deferred Payments (C. P. S.)	Farm Mort- gages	Federal Land Bank Bonds	State Bonds	SECURITIES					State Group Warrants	Alliance Warrants Issued by The State University	Cash With- drawn	TOTALS
						County, City, Town, and School Bonds	State Fund Warrants	State Fund Warrants	State Fund Warrants	State Fund Warrants				
Public Schools	\$2,410,654.30	\$5,155,452.21	\$1,273,807.84	\$989,300.00	\$314,551.25	\$5,596,175.04	\$2,552,306.73	793.33	\$170,051.92	\$61,502,369.29				
State University	173,698.20	64,804.94		19,600.00	80,000.00	316,656.60			8,700.29	724,253.96				
Ag. Col. Mortality Gnt.	610,558.20	60,479.16			318,000.00	199,905.52			3,188.14	1,196,822.08				
Ag. Col. 2nd Grant	389,683.20	24,708.92				193,346.11			2,571.04	632,211.25				
School of Mines	580,993.50	130,426.06			115,000.00	480,746.87			14,501.19	1,322,636.37				
State Normal Schools	686,701.50	114,511.91			50,000.00	538,233.81			8,942.50	1,325,418.82				
Deaf and Dumb Asy.	369,672.60	18,938.95		19,600.00	35,000.00	115,031.10			2,293.51	590,536.16				
State Reform School	369,992.50	11,378.94				189,982.20			5,252.08	582,006.12				
Capitol Buildings	1,232,364.40	109,788.57			5,400.00				13,242.61	1,355,397.58				
Soldiers' Home	3,378.70	3,116.68				4,137.07			131.53	17,663.98				
O. H. and T. E. Society	650.00	1,366.52				27,676.38			2,978.43	30,954.81				
Veterans' Memorial						117,782.51			1,815.93	119,298.44				
Mont. Tr. & Leg. Fund														
TOTALS	\$16,835,017.60	\$5,621,911.36	\$1,273,807.84	\$1,088,500.00	\$917,951.25	\$7,809,073.91	\$2,552,306.73	\$28,352.22	\$233,972.17	\$69,400,923.68				

It is worth noting that the total of all the assets under the administration of the department at the close of the previous fiscal year, \$69,400,000—approximately \$32,000,000 above the figures at the close of the previous fiscal year.

The book values of these assets suffered a considerable loss during the fiscal year through the voluntary surrender for cancellation of 326 certificates of purchase of State lands involving \$63,957.16, and carried among the assets before cancellation at the exact aggregate of the unpaid balances of the purchase price being \$851,333.36. Upon the cancellation of these certificates the lands were restored to the unsold class and are carried at \$10.00 per acre resulting in a shrinkage in the book value of these assets of nearly \$153,000.00. This shrinkage was, however, slightly more than offset by actual additions to the permanent funds arising from timber sales, oil, gas and coal royalties, and the accretion to the Public School Permanent fund of 5% of the income during the 1931 calendar year.

With the exception of lands containing oil, gas and coal and certain other minerals, the most desirable of all these assets are unquestionably the millions of high class bonds. The total of all bonds on June 30, 1932, was \$9,815,525.16, an increase of approximately \$176,000.00 over the amount of the previous year. High grade securities represent safe investments for the permanent funds of the State and yield a steady income suffering less through economic depressions than any other assets. Securities of this nature should unquestionably be the ultimate form of nearly all the assets of this department.

The Veterans' Memorial Fund does not in any way belong to the Department of State Lands and Investments, but under Chapter 60 of the 1929 Sessions Laws, the State Board of Land Commissioners is charged with the investment administration of the fund and these investments are therefore shown in the foregoing statement.

The State is responsible for the investment and perpetual preservation of these various permanent funds. Section 3 of Article XI of the Constitution provides that the public school fund "shall forever remain inviolate, guaranteed by the State against loss or diversion, to be invested, so far as possible, in public securities within the state." Section 12 of the same article provides that "The funds of the state university and of all other state institutions of learning, from whatever source accruing, shall forever remain inviolate and sacred to the purpose for which they were dedicated . . . and shall be guaranteed by the State against loss or diversion."

TABLE No. IX.

COMPARISON OF INCOMES DURING THE LAST THREE
FISCAL YEARS

(a) Comparison as to Total Income for Each Fund or Institution

Institutions and Funds to which the Income Belongs	Fiscal Year July 1, 1929 to June 30, 1930	Fiscal Year July 1, 1930 to June 30, 1931	Fiscal Year July 1, 1931 to June 30, 1932
State General Fund.....	\$ 21,589.26	\$ 22,073.45	\$ 15,175.12
Public Schools	1,318,239.66	1,097,450.39	829,002.30
State University.....	30,549.44	28,030.19	25,800.00
Agri. College, Morrill Grant.....	20,687.17	18,530.67	30,557.82
Agri. College, Second Grant.....	27,128.34	30,038.81	12,397.08
School of Mines.....	39,276.48	41,167.65	33,844.98
State Normal Schools	37,755.49	35,233.97	33,001.48
Deaf and Dumb Asylum.....	13,246.72	13,728.97	12,442.97
State Reform School.....	14,091.30	13,399.12	12,998.67
Capitol Buildings	12,219.40	9,190.69	7,568.19
Soldiers' Home.....	518.23	483.97	409.39
Montana Trust and Legacy.....	1,615.00	4,989.29	6,014.09
Orphans' Home & T. B. Society.....	48.14	47.50	69.05
Veterans' Memorial.....			724.02
TOTALS	\$ 1,536,964.63	\$ 1,314,364.67	\$ 1,020,005.16

(b) Comparison as to Class or Source

Fees and Penalties.....	\$ 21,589.26	\$ 22,073.45	\$ 15,175.12
Rentals on Agricultural and Grazing Leases.....	397,652.14	312,035.58	211,083.94
Grazing Fees Collected by State Forester.....	7,164.24	8,333.68	6,487.18
Rentals on Oil and Gas Leases	93,279.04	59,049.36	34,093.94
Interest on Land Sales (Certificates of Purchase)....	220,434.94	170,812.12	80,879.70
Interest on Farm Mortgages.....	172,155.48	110,247.29	58,508.56
Interest on Bonds.....	559,243.76	513,383.41	486,201.62
Interest on Warrants.....	44,232.93	82,331.90	107,055.30
Interest on Bank Deposits.....	21,212.84	36,097.88	20,519.86
TOTALS	\$ 1,536,964.63	\$ 1,314,364.67	\$ 1,020,005.16

The comparison as to class or source of income is the most instructive and helpful. The income derived most directly from land such as rentals on agricultural and grazing leases, interest on land sales contracts and interest on farm mortgages has declined sharply on account of the poor crops and ruinously low prices. The rentals from oil and gas leases have also suffered a serious slump on account of the depression in the oil industry.

"Interest on Investments" is the one income that has almost held its own. If we take the three items of "Interest on Bonds", "Warrants" and "Bank Deposits" together we find that the decline from 1930 to 1932 is only slight. This income does not rest on the paying ability of individuals and not even upon a single industry, but upon all the industries of the state and on its taxing power.

This seems to point the lesson that the landed estate under the administration of the department should be sold and transmuted into public securities as rapidly as a reasonable demand develops for the purchase of the lands.

TABLE No. X
COMPARISON OF THE RECEIPTS FOR PERMANENT FUNDS
DURING THE LAST THREE FISCAL YEARS

(a) Comparison as to Total Receipts for Each Fund or Institution

Institutions and Funds to Which the Receipts Belong	Fiscal Year July 1, 1929 to June 30, 1930	Fiscal Year July 1, 1930 to June 30, 1931	Fiscal Year July 1, 1931 to June 30, 1932
Public Schools	\$ 3,485,835.95	\$ 3,842,819.52	\$ 2,532,832.45
State University	60,086.93	11,109.78	28,088.10
Agri. College, Morrill Grant	13,863.21	17,035.21	13,511.18
Agri. College, Second Grant	46,916.39	41,680.92	27,577.09
School of Mines	60,376.35	90,194.19	51,629.25
State Normal Schools	66,533.87	55,642.53	47,248.95
Deaf and Dumb Asylum	21,116.76	11,062.39	13,271.96
State Reform School	30,311.81	16,376.35	15,465.67
Capitol Buildings	23,376.66	23,114.40	34,310.85
Soldiers' Home	576.26	754.20	537.45
Montana Trust and Legacy	7,000.00	1,392.29	5,368.36
Orphans' Home & T. B. Society	62.81	13.45	20.02
Veterans' Memorial			666.14
TOTALS	\$ 3,816,057.00	\$ 4,141,195.23	\$ 2,770,617.47

(b) Comparison as to Class or Source

Land Sales—First Payments	\$ 15,533.24	\$ 1,986.00	\$ 1,929.40
Rights of Way	6,663.92	8,897.81	9,120.50
5% U. S. Land Sales	842.39	1,310.29	1,059.26
Repayment on U. S. Bonds	1,000,000.00	1,040,000.00	
5% of Total Income for Public Schools	71,348.68	57,192.39	43,934.69
Installments on Land Sales (Certificates of Purchase)	238,622.59	138,077.60	75,952.15
Timber Sales by State Forester	65,145.68	32,294.83	49,651.61
Oil and Gas Royalties	150,471.53	61,477.33	61,331.76
Coal, Sand and Gravel Royalties	1,810.23	1,652.41	2,555.00
Repayments on Mortgages	54,626.96	11,812.64	9,592.74
Repayments on Bonds	615,032.23	592,300.67	600,520.15
Repayments on Warrants	1,565,959.55	2,164,193.23	1,910,384.79
Repayments on Millage Warrants			4,582.09
TOTALS	\$ 3,816,057.00	\$ 4,141,195.23	\$ 2,770,617.47

The comparison as to class or source of receipts for the permanent funds shows a decline in receipts directly from the land corresponding to the decline of income from that source. Repayments on bonds have kept up as well as the interest collections.

TABLE No. XI.
COMPARISON OF PERMANENT ASSETS FOR THE LAST
THREE YEARS

(a) Comparison as to the Total Assets for Each Fund or Institution

Fund or Institution	Areas of Land Grants (Acres)	June 30, 1930	June 30, 1931	June 30, 1932
Public School (About)	5,188,000	\$61,547,754.79	\$61,523,309.50	\$61,502,309.29
State University	46,080	724,203.96	724,253.96	724,253.96
Agri. Col. Morrill Grant	90,000	860,306.53	860,836.81	1,196,822.08
Agri. Col. Second Grant	50,000	955,294.03	955,563.95	632,211.25
School of Mines	100,000	1,320,852.60	1,325,018.17	1,322,636.37
State Normal Schools	100,000	1,325,937.36	1,326,305.95	1,325,418.82
Deaf & Dumb Asylum	50,000	589,792.80	589,979.37	590,536.16
State Reform School	50,000	582,665.02	581,802.17	582,006.42
Capitol Buildings	182,000	1,361,184.46	1,348,204.00	1,355,395.58
Soldiers' Home		17,663.98	17,663.98	17,663.98
Orphans' Home and T. B. Society		2,148.74	2,036.54	2,016.52
Mont. Trust & Legacy		79,381.28	113,085.51	119,598.44
Veterans' Memorial				30,054.81
TOTALS		\$69,367,185.55	\$69,368,059.61	\$69,400,923.68

(b) Comparison as to Kind of Assets

Value of Unsold Lands at \$10.00 Per Acre	\$45,749,730.20	\$46,148,948.35	\$46,835,047.60
Deferred Payments on Land Sales (Certificates of Purchase)	7,242,104.89	6,530,273.79	5,621,911.96
Farm Mortgage Loans	4,301,561.94	4,270,942.18	4,273,807.84
Federal Land Bank Bonds	2,031,000.00	1,088,500.00	1,088,500.00
State Bonds	925,047.50	925,047.50	917,951.25
County, City, Town and School Dist. Bonds	6,478,811.88	7,626,216.25	7,809,073.91
State General Fund Warrants	1,624,699.26	2,172,115.85	2,592,306.73
State Millage Fund Warrants			28,352.22
Cash with State Treasurer	1,014,229.88	606,015.09	233,972.17
TOTALS	\$69,367,185.55	\$69,368,059.61	\$69,400,923.68

GENERAL OBSERVATIONS

It will be noted from the foregoing tables that all the various classes of assets taken together have not decreased during the last two fiscal years but even show a slight gain.

Table XI (a) discloses the interesting fact that with a few exceptions the various funds bear approximately the same ratio to the land grants from which they originate. Take for instance the assets of the School of Mines and of the State Normal Schools: The land grant for each of these institutions was 100,000 acres and the total assets vary only a few thousand dollars at the present time. The Deaf and Dumb Asylum and the State Reform School received 50,000 acres each and their total assets are approximately the same.

The State University with an original land grant of only 46,080 acres (72 sections) is an exception as its total assets materially exceed the assets of the Deaf and Dumb Asylum with a land grant of 50,000 acres. The probable explanation is that the land selections for the State University were completed at an early date and that timber lands were very largely selected which have brought better returns than grazing or agricultural lands.

The Capitol Building Grant shows proportionately smaller assets than the other grants and institutions. This arises from the fact that the receipts from land sales of this grant have been utilized in the erection of public buildings or in the payment of bonds issued for such buildings. The grant for public buildings does not contemplate the creation of a permanent fund as the other grants, but permits the use of all receipts from the grants as the same are collected.

It may be noted that the Agricultural College Morrill Grant Fund shows an increase of more than \$300,000.00 during the last two years, while the Agricultural College Second Grant shows a corresponding decrease. The explanation is simple. Some fifteen years ago the investment accounts of these two funds became mixed up and investments that really belonged to the Morrill Grant were credited to the Second Grant. At the suggestion of the present Commissioner this has been corrected. At the meeting held August 13, and the meeting held August 29, 1931, the State Board of Land Commissioners authorized the transfer of certain bonds from the Agricultural College Second Grant to the Agricultural College Morrill Grant. The exact amount so transferred was \$335,910.27 (Page 860 and page 867 of the proceedings). As these two grants belong to the same institution no real harm had resulted from the mix-up, but the Treasury Department of the United States requires a separate accounting for the Morrill Grant Fund.

The assets of the two funds taken together have increased more than \$13,000.00 during the last two years, nearly all the increase coming from the sale of timber.

RISE AND FALL IN ASSETS

As shown by Tables IV and VIII, Permanent Assets, the unsold lands are carried at the flat price of \$10.00 per acre. No attempt is made to change this figure with fluctuations in land prices; hence no change appears in the book values from such fluctuations; but when lands are sold at a higher price than \$10.00 per acre the book values will show an increase as the sales contracts are carried at full face value. When land sales contracts are cancelled, the lands are restored to the unsold class carried at \$10.00 per acre and a corresponding fall in the book value of the assets is the result. With the exception of the gradual decrease in the Capitol Building Grant, this is almost the only cause of decrease in book values that we have experienced.

The receipts from timber sales and from oil, gas and coal royalties are constantly added to the permanent funds without a corresponding

deduction from the value of the land from which they are taken; the lands are still carried at \$10.00 per acre. These items are a constant source of increase in the funds. It so happens that up to this time no oil in commercial quantities has been discovered outside of lands belonging to the Public Schools; hence only the Public School Permanent Fund has so far benefitted from oil royalties. But if oil in commercial quantities is discovered in any other lands, the institutions and funds to which they belong will receive the full benefit.

The Public School Permanent Fund has two sources of increasing assets that the other funds have not. Under the provisions of Section XIII of the Enabling Act, 5% of the net proceeds of the United States public land sales within this state is annually paid into the Public School Permanent Fund. At the present time the income from this source is not very important, aggregating less than \$2,400.00 during the last two fiscal years, but in the past it has produced considerable sums.

The second source of special additions to the Public School Permanent Fund is found in an amendment to Section 5 of Article XI of the State constitution of which the present Commissioner of State Lands is the author. This amendment was passed by the State Legislature in 1919, approved by the vote of the people at the election in November, 1920, and became effective as part of the constitution under the Governor's proclamation of December 6, 1920. This amendment provides among other things that 5% of the total income from the Public School Funds shall annually be added to the permanent fund itself and become and forever remain an inseparable and inviolable part thereof. The additions that have been made to the Public School Permanent Fund under this amendment are as follows:

March 1921	\$ 7,442.22
March 1922	41,253.83
March 1923	49,314.52
March 1924	46,967.18
March 1925	43,063.93
March 1926	53,275.11
Feb. 1927	68,259.05
Feb. 1928	61,695.53
April 1929	67,045.19
March 1930	71,348.68
April 1931	57,192.39
April 1932	43,934.69
Total.....	\$610,792.32

As this addition is a certain percentage of the total income per year, the annual addition will increase as the income itself increases. It will thus be seen that it is an important source in the perpetual growth of the Public School Permanent Fund.

THE VARIOUS CLASSES OF PERMANENT ASSETS— EXAMINATION OF VALUES

(Total June 30, 1932, \$69,400,923.68. See Table VIII and Table XI, pages 19 and 22.)

1. Unsold Lands (\$46,835,047.60)

As before explained lands are carried among the assets at the flat price of \$10.00 per acre; they constitute a little over 67% of the total assets. The question arises if these lands are worth an average price of \$10.00 per acre. Undoubtedly there are some of the lands located in the mountainous regions and some of the inferior grazing lands that may never bring this price; but it is quite probable that this will be more than offset by the price realized from the more valuable lands, and by the proceeds of timber sales and the royalties on coal, oil, gas and other minerals. Considering these factors, it is reasonable to assume that ultimately the State will realize even more than an average of \$10.00 per acre for all the lands now unsold.

On May 7, 1932, the President of the United States approved an amendment to the Enabling Act which among other things permits the sale of grazing lands at a price as low as \$5.00 per acre. See inside of front cover for full text. It is practically certain that great areas of grazing lands will not bring more than \$5.00 per acre but it is still expected that the higher prices realized from the better lands will bring the average sales price up to more than \$10.00 per acre. The average sales price for all lands sold up to June 30, 1932, is about \$15.50 per acre.

For detailed information in regard to the distribution of the unsold lands among the various grants throughout the 56 counties of the state see Table XII, pages 28 and 29.

2. Deferred Payments on Land Sales (Certificates of Purchase) (\$5,621,911.96)

This class of assets is carried at the exact amount from time to time unpaid on the sales contracts, or certificates of purchase as they are usually called, not considering accrued interest. Our State lands have at all times been sold on some kind of a deferred payment plan, except in the few cases where the purchaser has made full payment at the time of sale. Under present statutes, the purchaser is only required to pay about 10% at the time of sale. The balance of the purchase price draws interest at the rate of 5% per annum and is payable on the amortization plan through a period of 33 years. The deferred payment plan results in a far greater number of sales, but it also results in default in payments in a great number of cases and resulting cancellation of the contracts. However, the present amortization plan of payment is very helpful to the purchaser and considered in all its bearings it is not far from ideal.

On account of the deplorable depression that has prevailed throughout the state during the last two fiscal years, a great number of certificates have been cancelled. In the great majority of cases the cancellations have been made upon the voluntary surrender of the certificates and the holders of the certificates have then taken the lands under lease.

Certificates of Purchase Cancelled

July 1, 1930, to June 30, 1931

Kind of Certificate	Number	Acreage	Balance of Principal Unpaid
20 Year Certificates.....	1	160.00	\$ 833.60
Converted Amortization Certificates	31	6,392.87	91,810.91
New 33 Year Amortization Certificates	184	37,588.86	501,875.11
Totals.....	216	44,141.73	\$594,519.62

The final approval of the cancellation of these certificates was given by the State Board of Land Commissioners on October 9, 1931, pages 874 and 875 of proceedings.

Certificates of Purchase Cancelled

July 1, 1931, to June 30, 1932

Kind of Certificate	Number	Acreage	Balance of Principal Unpaid
20 Year Certificates.....	2	480.00	\$ 3,411.90
Converted Amortization Certificates	72	14,817.92	185,847.92
New 33 Year Amortization Certificates	252	54,659.18	668,073.48
Totals.....	326	69,957.10	\$857,333.30

The final approval of the cancellation of these certificates was given by the State Board of Land Commissioners on January 16, 1932, page 895, and on July 9, 1932, page 927 of proceedings.

Additional cancellations will inevitably become necessary, the extent of such cancellations depending upon the agricultural conditions throughout the State. The cancellation of sales contracts is not a total loss to the State; some payments have always been made on the land, in many cases quite substantial, and these are never refunded. In addition, the State has the lands themselves, which can be sold again as soon as demand arises. All the same it is questionable if the State will realize the full amount at which this class of assets is carried.

3. Farm Mortgage Loans

(\$4,273,807.84)

It is not likely that the State will ever be able to collect the full amount invested in these loans; considerable losses will no doubt be suffered. But as it represents investments from the Public School

Permanent Fund which is guaranteed by the Constitution against diversion or loss the State itself must ultimately make good any losses resulting to this fund. See Table No. XIII and the notes following for detailed information in regard to this class.

4. Bonds and State Warrants

Federal Land Bank Bonds	\$ 1,088,500.00
State Bonds	917,951.25
County, City, Town and School District Bonds	7,809,073.91
State General Fund Warrants	2,592,306.73
University Millage Warrants	28,352.22
Total	<hr/> \$12,436,184.11

The Federal Land Bank Bonds and the bonds and warrants of the State of Montana are as safe as the Government of the United States and the State of Montana.

All the bonds now being purchased by this department and issued by the political subdivisions of the State are payable on the amortization plan or on the serial plan and this circumstance vastly improves the safety of the investment as the bonds are repaid in semi-annual installments throughout the term for which they were issued.

Considering the millions invested, the total of all delinquencies on July 1, 1932, was very small and no losses whatever are anticipated.

5. Cash Balances

(\$233,972.17)

The cash balances in the various permanent funds aggregating \$233,972.17 are in the custody of the State Treasurer and are deposited in the various depositories designated for the deposit of other State funds. These permanent funds so deposited are protected against loss through surety company bonds or by the deposit with the State Treasurer of various securities prescribed by law in the same manner and to the same extent as other funds in his custody.

TABLE No. XII
LANDS UNSOLD IN EACH GRANT JUNE 30, 1932

COUNTY	Public School		State University	Agri. College Morrill Grant (90,000 Acres)	Agri. College Second Grant (50,000 Acres)	School of Mines	State Normal School	Deaf and Dumb Asylum	State Reform School	Public Buildings	TOTALS
	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres
1. Beaverhead	175,430.38			10,360.31		7,169.08	16,825.39	6,240.00	5,960.00	10,853.05	232,838.21
2. Big Horn	87,786.72										87,786.72
3. Blaine	164,951.36			785.06		1,000.49	1,031.47		40.00		167,808.38
4. Broadwater	18,557.84	320.00								8,187.32	27,065.16
5. Carbon	37,293.36			3,573.57							44,115.74
6. Carter	138,909.84					228.37	27.75		141.06	440.00	139,747.02
7. Cascade	68,182.74	214.29		760.00		4,600.53	482.36		2,113.42	400.00	76,753.34
8. Chouteau	207,414.44			9,820.62		13,300.84	10,652.21		895.59	2,165.92	244,249.62
9. Custer	124,850.43	480.00									125,330.43
10. Daniels	194,425.12										194,425.12
11. Dawson	71,077.39									480.00	71,557.39
12. Deer Lodge	8,404.27										8,404.27
13. Fallon	52,029.84										52,029.84
14. Fergus	139,178.13	1,760.00									140,938.13
15. Flathead	72,765.69			3,428.05		9,663.32	9,733.90	5,381.67	2,577.31	20,237.68	136,885.15
16. Gallatin	26,753.94	1,433.24				3,228.93	1,780.12	2,574.86	642.32	6,424.00	43,332.88
17. Garfield	160,903.05										160,903.05
18. Glacier	14,119.66									225.93	14,345.59
19. Golden Valley	42,851.84	3,639.68									46,491.52
20. Granite	19,235.48										19,235.48
21. Hill	119,377.08										119,377.08
22. Jefferson	24,089.86	360.00					557.97		40.00		30,549.48
23. Judith Basin	70,019.31			880.00		2,870.94		2,520.00	758.68		73,008.44
24. Lake	64,838.13	320.84				2,109.13				157.35	68,934.68
25. Lewis and Clark	94,650.24	320.00		7,217.81		3,640.00	1,000.07	1,078.09	1,000.00	8,403.76	119,757.82
26. Liberty	93,408.12						1,366.01	2,280.00		143.00	93,651.12
27. Lincoln	48,814.53					480.00				11,157.32	60,451.85
28. McCone	89,145.70										89,145.70
29. Madison	80,960.44	640.00		960.00		4,071.04	15,983.07	3,191.65	4,169.90	9,948.09	132,742.67
30. Meagher	56,514.65			14,562.93				7,892.95	7,709.32		86,679.85
31. Mineral	6,706.52						4,141.41			8,077.65	21,385.70

32. Missoula	35,539.71	1,760.00	2,137.15	6,025.78	315.49	4,933.55	10,794.50	61,506.18
33. Musselshell	59,786.58							59,786.58
34. Park	35,635.16	880.00						36,515.16
35. Petroleum	59,883.01	1,272.37						61,155.38
36. Phillips	173,626.78		840.00					174,466.78
37. Powder River	12,796.84						80.00	49,876.84
38. Powell	135,893.99		480.00					137,069.99
39. Prairie	56,120.11	155.67	160.00			160.00	480.00	57,076.11
40. Ravalli	58,217.44							58,217.44
41. Richland	17,095.31		1,183.19					26,790.23
42. Roosevelt	68,269.47							68,269.47
43. Rosebud	14,268.20							15,028.20
44. Sanders	165,350.51	2,213.74				2,130.90		167,534.25
45. Sheridan	26,673.61						760.00	51,615.66
46. Silver Bow	26,700.19							26,700.19
47. Stillwater	12,034.59							12,034.59
48. Sweet Grass	10,941.09							40,911.09
49. Teton	18,971.98		1,280.00					50,251.98
50. Toole	82,232.28		2,626.83					92,376.32
51. Treasure	197,221.24					240.00		112,796.51
52. Valley	33,693.95	180.00					5,535.37	34,173.35
53. Wibaux	193,428.18							193,428.18
54. Yellowstone	53,945.77	1,120.00				3,677.11	2,369.29	62,232.20
55. Wibaux	27,848.74							27,848.74
56. Yellowstone	71,224.97							71,224.97
TOTALS	1,241,066.43	17,369.83	61,055.82	38,968.32	58,099.39	36,367.26	123,236.41	1,682,441.89

MISCELLANEOUS STATE LANDS UNSOLD NOT INCLUDED IN TABLE

Soldiers' Home Grant								
Northern Montana Normal and Manual Training School								
"Militia Camp" now used as Agricultural Experiment Station, Part of former Fort Ellis Military Reservation								197.87
Miscellaneous parcels, belonging to the State								2,000.00
orphans' Home and Tuberculosis Sanitarium								640.00
								267.68
								65.00
GRAND TOTAL								3,970.55
								1,686,112.44

When lands are sold, and when sales contracts are cancelled, the figures of "lands unsold" are changed accordingly. When losses have been sustained in Section 16 or Section 36 and "then lands" are selected in another county, the lands are shifted and the figures altered. On account of these constant changes the table of unsold lands does not long remain entirely accurate, but all the same it gives a good idea of the quantity and distribution of the lands.

POWER SITES ON STATE LANDS

There is one class of assets forming part of the unsold lands of the State that did not receive much recognition by this department until recent years and this is water power sites. The report of this department for the biennium terminating June 30, 1930, contains a comprehensive report on such power sites beginning on page 53. The report recites that the discovery had been made that a number of power sites or parts of power sites on State Lands in Western Montana had been withdrawn for power site purposes by the Government of the United States although the full title had passed to the State under its school land grant prior to the withdrawals. The report further states that this department had made claim upon the Department of the Interior for the restoration of the State's full title to all the power sites so withdrawn. At that time the title was partially restored; this restoration of full title has now been completed.

Some of the lands affected had been made subject to two separate withdrawals for power site purposes and this complicated the problem of the restoration of the State's title as two separate agencies of the Government were concerned. One of the withdrawals was made by the Geological Survey under date of September 10, 1913; the other by the Federal Power Commission under date of March 14, 1921, in connection with Project No. 5 of the Rocky Mountain Power Company. The lands withdrawn are as follows:

No.	Subdivision	Sec.	Twp.	Range	Power Site Reserve No.	Power Project No.
1.	Lots 1, 2, 3, SE $\frac{1}{4}$, NE $\frac{1}{4}$, SE $\frac{1}{4}$, SW $\frac{1}{4}$, NW $\frac{1}{4}$, SE $\frac{1}{4}$	36	20N	22W	397	5
2.	Lots 1 to 10, inclu- sive, SW $\frac{1}{4}$, NE $\frac{1}{4}$, E $\frac{1}{2}$, SW $\frac{1}{4}$	36	21N	22W	397	5
3.	Lots 1 to 10, inclu- sive, NE $\frac{1}{4}$, N $\frac{1}{2}$, SE $\frac{1}{4}$	36	22N	22W	397*	5
4.	N $\frac{1}{2}$, N $\frac{1}{2}$, S $\frac{1}{2}$	36	16N	18W	397	Not Included
5.	N $\frac{1}{2}$, N $\frac{1}{2}$, SE $\frac{1}{4}$. . .	36	17N	18W	397	Not Included
6.	S $\frac{1}{2}$, NE $\frac{1}{4}$, S $\frac{1}{2}$. . .	36	18N	19W	397	Not Included
7.	SW $\frac{1}{4}$, SW $\frac{1}{4}$	16	20N	21W	397	5
8.	S $\frac{1}{2}$, SE $\frac{1}{4}$	16	21N	19W	397	Not Included
9.	NE $\frac{1}{4}$, NE $\frac{1}{4}$, Lot 1	16	23N	20W	Not Included	5

*No. 397 does not include the NE $\frac{1}{4}$, NE $\frac{1}{4}$ of the said section.

Traacts numbered 1, 2 and 3 in the foregoing list were eliminated from Power Site No. 397 by Power Site Restoration No. 440 signed by President Herbert Hoover June 4, 1930. The remaining lands included in Power-Site Reserve No. 397 were eliminated through Power-Site Restoration No. 457 signed by the President January 21, 1931.

All the lands included by the Federal Power Commission in Power Project No. 5 were eliminated from the withdrawal order by the Federal Power Commission through order issued on November 25, 1930.

Both the restoration orders issued by the President and the restoration order issued by the Federal Power Commission have been placed on record in Lake County and in Sanders County.

General Information as to Location

Numbers 1, 2 and 3 are all located in the Flathead River between Dam Site No. 1, now under license, and Dam Site No. 4.

Number 4. On South Fork of the Jocko River, about 16 miles northeast of Bonner in Missoula County.

Number 5. On South Fork of the Jocko River, about 22 miles northeast of Bonner in the extreme southeast corner of Lake County.

Number 6. On Dry Creek about 7 miles southeast of St. Ignatius.

Number 7. On east side of Flathead River but does not touch the river. (Probably reserved on account of overflow resulting from dam.)

Number 8. On North Fork of Crow Creek, 4 or 5 miles northeast of Roman.

Number 9. Located on Flathead Lake some 5 miles northeast of Polson and 6 or 7 miles southeast of Big Arm. (Probably reserved on account of overflow resulting from dam.)

Possibilities of Power Development in the Flathead River

As to the three sections of State lands located on the Flathead River, it should be clearly understood that not any of these sections constitutes a power or reservoir site by itself; each of them is a part of a larger power and reservoir site and can only be utilized to the best advantage in connection with the entire site of which it is a part.

In June, 1913, Mr. E. C. LaRue, Hydrographic Engineer of the Geological Survey, made a "Report Showing Power and Reservoir Site Possibilities, Flathead Indian Reservation, Montana" and the following information on this subject is taken from his report:

The entire Flathead River from the outlet of Flathead Lake to the south part of Twp. 19N, Range 21W, a location about two miles above the mouth of Mission Creek, can be utilized for power development. The total length of the river between these two points is just about 46 miles and he suggests the utilization and development of this water power through the construction of five separate dams. A license for developing the power at Dam Site No. 1 has already been issued to the Rocky Mountain Power Company and development work has commenced. Dam Site No. 2 is above the State owned lands. Sec. 36, Twp. 22N, Range 22W is immediately above the section where it is proposed to locate Dam No. 3. Sec. 36, Twp. 21N, Range 22W and Sec. 36, Twp. 20N, Range 22W are between the proposed Dam Site No. 3 and proposed Dam Site No. 4. The last mentioned section is immediately above the section in which it is proposed to locate Dam No. 4. These three sections are natural and inseparable portions of the lands needed for power development at these two locations. According to the aforesaid report, the location and estimated capacity of the power developments at these two sites are as follows:

Dam Site No.	Location	Distance from Site Next Above	Available Head	Estimated Power Capacity
3.	SE $\frac{1}{4}$, 1-21N-22W	8 miles	24 ft.	19,200 Elec. H. P.
4.	S $\frac{1}{2}$, 1-19N-22W	24 miles	88 ft.	70,400 Elec. H. P.
Totals.....		32 miles	112 ft.	89,600 Elec. H. P.

With the regulation works proposed to be established at the outlet of Flathead Lake it is estimated that this river will furnish a mean flow of 10,000 second-feet. It will be noted from the foregoing figures that the total distance of the river to be developed in connection with these two dam sites furnishing an estimated power of 89,600 electrical horse power is 32 miles. Of this distance the three aforesaid school sections furnish approximately $3\frac{1}{4}$ miles or a little over 10% of the total distance.

The Other Power Sites

It will be noted from the foregoing list of State lands reserved by the United States for power development that in addition to the three sections on Flathead River there are four small power sites in various creeks running into the Flathead River which have also been reserved. As yet no figures are available showing the capacity of these smaller reservations but it appears that each one constitutes a very small independent project. The fact that they have been withdrawn conclusively shows that they are regarded as having some value. The lands on which they are located should not be sold as the future development of western Montana and the increased demand for electrical energy are likely to make these small power sites far more valuable in the future than at the present time.

Utilization of the Power Sites on the Flathead River

It should be borne in mind that the State's power and reservoir sites on the Flathead River are inseparable portions of the Government reservoir and power sites. The sites owned by the State and the sites owned by the Federal Government must be developed jointly when demand arises for their utilization. It is at least possible that some kind of agreement could be entered into between the State and the United States under which the State would share in the annual rentals.

Search for Other Power Sites on State Lands

There are other power sites and parts of power sites on State lands, and the work will continue of locating such power sites so that they may be reserved by the State for future development as demand arises.

Attention is here called to Lots 2, 3, 4, 5 and 6 of Section 36, Township 22 North, Range 30 West, Sanders County. This section of land is located between two and three miles west of the town of Thompson Falls and the Clark Fork of the Columbia River runs through it. At this point the Clark Fork is a meandered non navigable stream and such being the case the State owning both banks also owns the bed of the stream.

Application for the purchase of part of this land has been made to this department and information has therefore been sought in regard to its power site possibilities. On November 18, 1930, the following memorandum was handed to me personally by Mr. Herman Stabler, Chief of the Conservation Branch of the United State Geological Survey, Washington, D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON

November 18, 1930.

"Memorandum to Mr. Stabler,

Power Site value of Section 36, T. 22 N., R. 30 W., Montana

There is a rapids in this section with a fall of 8 feet in one mile. The water surface is only about 15 feet below the tailwater at Thompson Falls plant. The proposed Donlan project would back water over a portion of the lands in Section 36. The Donlan project as outlined in the report of the Columbia River Board includes a dam 40 feet high, probably below the mouth of Grave Creek. This would back water up to the tailwater of the Thompson Falls plant. Such a dam would not interfere with the Northern Pacific Railroad. With Flathead Lake developed for storage it becomes a valuable power site provided the geology at the dam site is such that a dam can be constructed. The operating head at the Thompson Falls plant is 60 feet which gives an idea of the relative value of the Donlan site. The storage in Flathead Lake will increase the low water flow greatly at both sites. No part of the section is withdrawn for water power purposes."

It is likely that it will take a considerable length of time before any further power development takes place in this part of the Clark Fork of the Columbia River, but it appears quite obvious from the foregoing memorandum that when such development does take place the State's land in this section will become an essential part of the project. It is therefore urged that this land be reserved from sale so that the State in future years may reap the full benefit of its power site possibilities.

Chapter 123 of the 1931 Session Laws, discussed more fully later on in this report under the heading "Legislation Relating to This Department", defines the words "power sites" and reserves power sites on State lands from sale but makes provision for their development under lease or license from the State.

TABLE No. XIII
CONDITION OF STATE FARM LOANS JUNE 30, 1932

Class. No.	Classification of Loans as to Present Condition	No. of Loans	Acres	Original Amount	Unpaid Principal
1.	Loans in their original form not delinquent in interest payments 60 days or more	61	17,551.11	\$ 91,650.00	\$ 66,764.58
2.	Loans in their original form delinquent in interest payments 60 days or more	96	29,105.68	161,530.00	160,299.20
3.	Loans converted to amortization mortgages not delinquent 60 days or more	101	32,431.80	198,350.00	182,173.86
4.	Loans converted to amortization mortgages delinquent 60 days or more	140	45,281.80	268,900.00	263,375.71
5.	Sales Contracts (mortgages under which the land has been deeded to the State or acquired through foreclosure proceedings and then resold under the 33 year amortization plan) not delinquent 60 days or more	199	68,917.38	391,791.80	409,196.25
6.	Sales Contracts (mortgages under which the land has been deeded to the State or acquired through foreclosure proceedings and then resold under the 33 year amortization plan) delinquent 60 days or more	686	248,482.14	1,441,607.22	1,634,012.47
7.	Sales Contracts cancelled and full title restored to the State	65	22,539.97	129,200.00	154,058.21
8.	Loans under which the State has acquired title through quitclaim deed and the lands have not been resold	410	147,499.54	832,900.00	924,504.93
9.	Loans under which the State has acquired title through foreclosure proceedings and the lands have not been resold	220	65,968.85	377,990.00	479,122.63
	TOTALS	1,978	677,778.27	\$3,893,919.02	\$4,273,807.84
	Average amount per loan			\$2,160.67	
	Average investment per acre			\$6.3056	

Taxes and Costs Paid by the State in Connection With Its Farm Loans

Up to June 30, 1922	\$ 45,297.66
Year ending June 30, 1923	75,630.72
Year ending June 30, 1924	169,566.59
Year ending June 30, 1925	137,633.90
Year ending June 30, 1926	45,777.63
From June 30, 1926, to June 30, 1928	49,177.17
Year ending June 30, 1929	9,166.18
Year ending June 30, 1930	14,009.14
Year ending June 30, 1931	11,162.88
Year ending June 30, 1932	12,488.40
Total	\$569,910.27

All these taxes and costs are included in "Unpaid Principal" in the table above given.

Total Investment in Farm Loans at the Close of Each Fiscal Year

June 30, 1924	\$4,551,655.03
June 30, 1925	4,595,261.19
June 30, 1926	4,549,039.77
June 30, 1927	4,529,084.23
June 30, 1928	4,433,894.77
June 30, 1929	4,342,179.76
June 30, 1930	4,301,561.94
June 30, 1931	4,270,942.18
June 30, 1932	4,273,807.84

OBSERVATIONS ON THE CONDITION OF STATE FARM LOANS

The figures given under the heading, "Unpaid Principal", show the balances as of June 30, 1932, of money actually invested from the Public School Permanent Fund in each classification including all amounts paid as taxes and various costs; delinquent interest is not included in the figures given. We have not figured the amount of this delinquent interest in detail, but based on careful estimates the amount is close to \$1,250,000.00.

When lands are resold, not only taxes and costs paid by the State are included in the sales price, but also all due and delinquent interest, and as a result the sum total of "Sales Contracts" is considerably above the amount of the actual investment in principal. In the foregoing table the sales contracts, both delinquent and **not** delinquent (Classes 5 and 6), aggregate \$2,043,508.72; this is the sum total actually paid out under these loans and not repaid; but on account of the inclusion of the due and delinquent interest in the principal, they amounted to \$2,272,361.59 on June 30, 1932, being more than \$228,852.87 above the actual investment in principal.

Up to and including the fiscal year ending June 30, 1925, the amount invested in farm loans continued to increase. Since December 24, 1924, not a single farm loan has been made, and every reasonable effort has been made to reduce the amount invested, but the reduction has been very slow as will be shown by the foregoing table.

It will be noted that the loans increased nearly \$3,000.00 during the last fiscal year. This means that the amount paid as taxes on lands to which the State had not obtained title, and as costs in foreclosure proceedings, exceeded the amount of repayments during the year.

The foregoing classification shows that only a small portion of the loans is in good standing as follows:

Class	Number of Loans	Unpaid Principal
1. Loans in their original form not delinquent 60 days	61	\$ 66,764.58
3. Loans converted into amortization mortgages and not delinquent 60 days	101	182,173.86
5. Sales Contracts not delinquent 60 days	199	499,496.25
Totals	361	\$658,434.69

This represents about 18.25% of the total **number** of the unpaid loans, and about 15.4% of the **amount** of the unpaid loans.

This does not mean that only the loans now in good standing will be repaid; far from it. Under the system now in use for the gradual collection of these investments, the State will unquestionably salvage the very greater portion of the actual investment; but the present condition of these loans is far from satisfactory considered as an investment for a State trust fund.

Owing largely to the prevailing depression, the interest collections on these loans during the two years covered by this report have been very unsatisfactory, amounting to \$110,247.29 during the first year and to \$58,508.50 during the second, or a total of \$168,755.79 for the two years. This is approximately \$275,000.00 below what the interest on the loans during that period should have brought, making the total amount of delinquent interest approximately one and one quarter million dollars as already shown.

The recommendation of this department made in the report of 1928 and in the report of 1930 is therefore renewed to the effect that the legislative assembly enact legislation acknowledging the State's indebtedness to the Public School Permanent Fund for the amount actually invested in such loans, and make provision for the annual payment of interest at a fixed rate and the systematic repayment of the principal itself. This recommendation is discussed somewhat at length in this report under the heading, "New Legislation Needed", page 79.

General Plan of Handling Delinquent Loans

Under the provisions of Chapter 168 of the 1925 Session Laws as amended and reenacted by Chapter 60 of the 1927 Session Laws, delinquent farm loans are placed under the office of the Attorney General for securing title through foreclosure or otherwise. Mr. John C. Lyndes, Special Assistant Attorney General, has had charge of this work and has given it constant attention. Cordial cooperation exists between this branch of the Attorney General's office and this department in bringing about the best results for the State in the farm loan business.

The plan followed with all badly delinquent loans has been to secure title to the property by quit claim deed whenever satisfactory title could be obtained in that way, and if not, then through foreclosure proceedings. Encouragement is always given to the mortgagor or his successor to repurchase the property within the redemption period under the easy payment plan provided by our statutes. The purchaser is required to pay in cash at least 10 per cent of the total investment including accrued interest and all costs; the balance draws interest at the rate of 5 per cent per annum and is payable on the amortization plan through a period of 33 years.

Up to June 30, 1932, a total of 965 repurchase contracts had been issued. A few of these contracts have been paid up in full; the condition of the remaining contracts is accurately shown in the foregoing classification.

None of these lands has been sold for less than the full investment including taxes, costs, and all accrued interest; but it is realized that the time has come when lands must be sold for less than the total amount invested, and it is thought that statutory authority for such sales already exists.

The foregoing classification also shows that several hundred loans have been converted to amortization mortgages without the State finding it necessary to take full title to the land.

The application of the amortization principle to the repayment of these loans has proved exceedingly helpful. If the loans had originally been made on the amortization plan a much greater portion of these loans would have been repaid at the present time. The basic difficulty, however, is that the loans were too large, being made during the boom period of the state when everybody had an exaggerated idea of land values.

Lands to which the State has obtained title but which have not been resold are placed under lease whenever possible. State Land Agent L. E. Chequette has taken charge of the leasing of these lands, and whenever possible agricultural lands are leased on a crop share basis which usually brings better results for the State than leases for cash rentals. He also has done a great deal of successful work in finding purchasers.

Section 74 of Chapter 60 of the 1927 Session Laws provides that whenever a sale of State lands is held in any county, all the mortgage lands owned by the State in such county to which the State has secured title shall be offered for sale. Section 77 of the same chapter provides that mortgage lands may also be advertised and sold at other than the regular sales of State lands held at the county seats, whenever the State Board of Land Commissioners so orders. These special sales of mortgage lands are held at the office of the Commissioner of State Lands and Investments, and are conducted by means of sealed bids after the lands to be sold have been advertised for three successive weeks.

We know of no better plan to follow in dealing with the difficult problem arising from the State farm loans than the one here described. Briefly summarized this plan is to secure title to the lands under the delinquent loans as rapidly as possible through quit claim deeds or through foreclosure proceedings; next to resell the lands to the original mortgagor or others on the amortization plan. We believe, however, that the legislative assembly should adopt a plan under which the public schools would be assured of receiving annual interest at a fixed, reasonable rate, and of the systematic repayment of the investment itself as already suggested.

TABLE XIV
LEASES IN EFFECT JUNE 30, 1932

Showing the Number of Acres Under Lease in Each Grant
and the Annual Rental

Name of Grant	Grazing Acreage	Annual Grazing Rental	Agri- cultural Acreage	Annual Agri. Rental
Public School	2,325,971.84	\$249,625.62	31,216.22	\$21,623.40
State University	9,283.03	1,026.05	65.00	32.50
Agri. Col., Morrill Grant ..	47,822.17	5,614.30	90.00	69.40
Agri. Col., Second Grant ..	7,820.29	681.00	.....	.....
School of Mines	33,783.92	3,231.85	617.00	527.90
State Normal School	35,554.72	3,697.47	251.00	307.70
Deaf and Dumb Asylum ..	20,964.51	2,245.15	.....	.....
State Reform School	21,601.87	2,488.95	120.00	98.00
Capitol Buildings	35,412.88	4,133.96	330.00	251.30
Soldiers' Home	997.87	135.35	.....	.....
State Prison Site	5.00	15.00	20.00	50.00
Totals	2,549,218.10	\$272,894.70	32,709.22	\$22,960.20

Summary

Total Acreage Under Grazing Leases	2,549,218.10	
Total Annual Grazing Rental		\$272,894.70
Total Acreage Under Agricultural Leases	32,709.22	
(Except Crop Share Leases)		
Total Annual Agricultural Rental		22,960.20
(Except Crop Share Leases)		
Totals	2,581,927.32	\$295,854.90
640 Crop Share Leases	181,129.88	
Total Acreage Under Lease	2,763,057.20	
Average Grazing Rental per acre	\$0.10705	
Average Agricultural Cash Rental per acre	0.701918	
Minimum Share Rental—One-fifth of all crops raised, delivered in elevator.		
Total number of leases in effect including 640 crop share leases	6,151	

**ADDITIONAL INFORMATION IN REGARD TO
LEASING AND RENTALS**

Acreage Under Lease

The leases above tabulated do not include leases on mortgage lands nor lands included in State forests. All rentals from mortgage lands are considered as interest on the loans or part payment on principal and are credited accordingly.

State Forest lands are not leased for grazing in the same manner as other State lands, but permits are issued by the State Forester for grazing at very reasonable rates. For the last fiscal year the fees for such permits amounted to \$6,487.18.

On June 30, 1930, the total acreage under lease was 2,875,017.59 as against 2,763,057.20 on June 30, 1932, showing a decrease of more than 111,000 acres. In view of the agricultural and economic conditions that have prevailed and still do prevail throughout the State, this is nothing more than what could be expected.

The total of all State lands not under lease on June 30, 1932, was a little above 1,100,000 acres exclusive of Forest Lands. Large portions of the lands not under lease are located in sparsely settled sections of the state where even privately owned lands are unfenced and used as public range. In these portions of the State it would be next to impossible to lease out State lands even in prosperous times, but the prevailing depression has naturally increased the unleased lands of the State.

Crop Share Leases

It will be noted from the foregoing tabulation that there is a total of 640 crop share leases outstanding embracing more than 181,000 acres. These leases are issued under the provisions of Section 30 of Chapter 60 of the 1927 Session Laws, and have proved exceedingly helpful to farmers throughout the State during the last two-year period. Under this form of lease no cash advance rental is required—only the regular fee of \$2.50 for issuing the lease. The quantity of grain delivered to the State as rental is in exact proportion to the quantity raised; in case of total crop failure the lessee is totally exempt. The system seems to be perfectly fair and particularly helpful in these trying times. It does involve additional work in this department in checking up on the returns, but we are perfectly willing to carry this extra work as it is helpful to our lessees.

Reduction of Rentals

As shown by the foregoing tabulation the average grazing rental per acre is a little above 10.7¢ and the average cash agricultural rental is a little above 70¢ per acre. This represents a reduction of about 1.3¢ per acre in grazing rentals and about 3¢ per acre in agricultural rentals as compared with June 30, 1930. There has been a gradual reduction in grazing rentals on State lands during the last eight years.

On account of the disastrous decline in prices on cattle, sheep and wool, the stockmen have felt that there should be a corresponding reduction in rentals on State lands. In February, 1932, a number of stockmen made a concerted effort to obtain such reduction and asked for a temporary decrease of 50 per cent. After careful consideration of this request the State Board of Land Commissioners found itself unable to grant the reduction under the laws applicable to the leasing of State lands (proceedings of the State Board of Land Commissioners, pages 903-904, Vol. VIII).

Reasonableness of Rentals

It appears quite evident that rentals on State lands should be based not on the value of their use during periods of unusually high prices or during periods of depression, but on the average value of their use through a number of years. This is in full accordance with the statutes. In endeavoring to determine reasonable rentals on State lands it seems just and fair to compare such rentals with the cost of using privately owned lands throughout the state. Let us bear in mind that the average grazing rental on all State leases in effect on June 30, 1932, was less

than 11¢ per acre. According to the report of the State Board of Equalization for the year 1930 (the latest printed report) the average taxes paid per acre on all privately owned grazing lands throughout the state was 7¼¢, less than 4¢ below the average grazing rental on State lands. If the owner of the land had \$1.00 per acre invested and figured 5 per cent interest, the annual cost of the use of this land would be 12¼¢; but the aforesaid report of the State Board of Equalization shows that the average assessed valuation of all of the privately owned grazing lands was a shade above \$4.53 per acre. If the owner had this amount of money invested in the land and figured interest at the rate of 5 per cent, the total annual cost of using one acre would come to 29.9¢ including the taxes.

The State owned grazing lands are either found on Sections 16 and 36, which should represent the average grazing lands throughout the State, or they consist of selected lands which should be above the average in grazing value. We therefore believe that this is a fair comparison and that it shows beyond any reasonable doubt that the State's rentals on grazing lands are exceedingly modest considering rental values through a series of years.

Undue Reduction in Rentals Unwarranted and Detrimental

The reduction of rentals on State lands below the actual values would be more far reaching in its detrimental results than may appear on the surface. If these lands could be leased at nominal rentals and the lessee could have secure possession through a long series of years, there would evidently be little or no incentive to purchase; he would regard it as rank foolishness to do so. The lands must be sold in order to contribute their full share to the upbuilding and development of the State; and the proceeds from the sale of the lands will yield far greater income than the rentals.

It is admitted that reduction of rentals would save money for the lessees; but the 6,151 leases outstanding are in the hands of less than 5,000 families, while the lands belong to all the people of the state, numbering more than 137,000 families. The land should evidently be administered insofar as possible for the equal advantage and benefit of all the 137,000 families of the State; and this can only be accomplished by administering the lands on sound business principles in full accordance with the Constitution and the Enabling Act, which granted the lands to the State of Montana for the support and maintenance of its public schools and higher institutions of learning.

As every dollar received as rental accrues to the benefit of our schools, every dollar lost in rental requires an additional dollar to be raised through taxation.

LEASING OF STATE LANDS FOR OIL AND GAS AND OTHER MINERALS

The leasing of State lands for oil and gas exploration and development is governed by Chapter 108 of the 1927 Session Laws which went into effect April 15 of that year.

Under this legislation all existing oil and gas leases issued by the State before Chapter 108 went into effect, are ratified, confirmed and approved subject only to the provision that the holder of any such lease must within 90 days give his consent in writing to the amendment of the former lease so as to give the State the right at all times to receive its royalties in money or in oil.

The old leases were all issued for a term of five years with the right of renewal for additional five-year terms, subject to certain requirements recited in the printed form of the lease. In every case where oil or gas in commercial quantities was obtained, application was made and granted for renewal for an additional five-year term. On June 30, 1932, fifteen of the old form leases were in full force and effect through such renewals.

Under the provisions of the new act, oil and gas leases on State lands are granted for a period not exceeding five years and as long thereafter during the term of fifteen years commencing with the date of the lease as oil and gas in commercial quantities are produced from the land. The annual rental is fixed at the flat rate of 75 cents per acre, but with a minimum annual rental under any one lease of \$50.00.

The lessee is required to drill at least one well on the land under his lease within two years from the date of the lease. The State Board of Land Commissioners may, however, in its discretion extend the time for the commencement or completion of such drilling upon the payment of a penalty of one dollar per acre per year for each year beginning with the third year of the lease, payable annually in advance.

In addition to these rentals and penalties, if any, there shall be reserved to the State a royalty on the oil and gas produced and saved, which royalty shall in no case be less than 12½% of the production.

Under the provisions of this act the State Board of Land Commissioners has adopted a form for oil and gas lease setting out in detail the rights and obligations both of the lessor and the lessee. Under Section 3 of this lease the royalties to be paid to the State are graduated according to the production as follows:

- A. On that portion of the average production of oil or casing-head gasoline for each producing well not exceeding 3,000 barrels for the calendar month, twelve and one-half per centum (12½%).
- B. On that portion of the average production of oil or casing-head gasoline for each producing well exceeding 3,000 barrels but not exceeding 6,000 barrels for the calendar month, seventeen and one-half per centum (17½%).
- C. On that portion of the average production of oil or casing-head gasoline for each producing well exceeding 6,000 barrels for the calendar month, twenty-five per centum (25%).

The royalty on gas is fixed at the flat rate of 12½%. Since this lease went into effect, no production on State lands has brought the State's royalty above 12½%.

The lessee is also required to furnish a surety company bond in the amount of \$1,000.00 conditioned for the faithful performance of his obligations under the lease, and the State Board of Land Commissioners reserves the right to increase this bond if found necessary.

State's Royalty Oil Sold at a Premium

It should be noted that under the provisions of Section 4 of the said Chapter 108 and the terms of the lease, the lessee must pay the royalties in cash or in oil or gas at the option of the State Board of Land Commissioners. From November 1, 1927, and up to November 30, 1930, the State received its oil royalties in oil and sold the oil at substantial premiums above the posted field price through contracts with oil refineries or oil operators.

Owing to the demoralization in the oil industry, the State was unable to enter into premium contracts for the sale of its royalty oil after June 30, 1930, and since that time the various lessees and operators have disposed of the State's royalty oil together with their own and paid the State in cash at the actual price obtained.

The contracts entered into for the sale of the State's royalty oil were as follows:

Name of Purchaser	Term	Field	Price
Arro Oil & Refining Co., Lewistown, Montana	Nov. 1, 1927 to Nov. 30, 1928	Kevin-Sunburst Field	12½c per barrel above the posted field price.
Bluebird Oil & Refining Co., Butte, Montana	Nov. 1, 1927 to Nov. 1, 1930	Cat Creek Field	90c per barrel above the posted field price.
Conrad Refining Co., Conrad, Montana	Dec. 1, 1928 to Nov. 30, 1929	Pondera Field	16½c per barrel above the posted field price, in the Kevin-Sunburst Field.
Shelby Pipeline & Refining Co., Shelby, Montana	Dec. 1, 1928 to Nov. 30, 1929	Kevin-Sunburst Field	15c per barrel above the posted field price.
Conrad Refining Co., Conrad, Montana	Dec. 1, 1929 to Nov. 30, 1930	Pondera Field	21½c per barrel above the posted field price, in the Kevin-Sunburst Field.
Boris A. S. Aronow, Shelby, Montana	Dec. 1, 1929 to Nov. 30, 1930	Kevin-Sunburst Field	12½c per barrel above the posted field price.

Suit Pending Under Aronow Contract

Boris A. S. Aronow of Shelby, Montana, failed to make payment to the State for the State's royalty oil under his purchase contract for the months of August, September, October and November, 1930. Through Attorney General L. A. Foot the State instituted a suit in the district court of Lewis and Clark County against Mr. Aronow and the United States Casualty Company, a corporation, the surety under his bond,

asking for payment for these royalties aggregating 10,820.86 barrels, amounting to \$18,926.46 together with interest at 8 per cent per annum from November 30, 1930. This suit is still pending.

TABLE No. XV
OIL AND GAS, COAL AND MINING LEASES IN EFFECT
JUNE 30, 1932

Grant	Number	Acreage	Annual Rental
OIL AND GAS LEASES			
Public School	126	43,322.42	\$32,299.82
Farm Loan Lands	12	3,385.61	2,539.26
Totals	138	46,708.03	\$34,839.02
COAL LEASES			
Public School	16	3,541.81	\$ 1,250.00
Public Buildings	1	640.00	50.00
Totals	17	4,181.81	\$ 1,300.00
OTHER MINING LEASES			
Public School	3	695.00	521.25

One of these mining leases is for mining silver, lead and other minerals on part of Section 16, Township 25N, Range 23W, Flathead County; one is for phosphate mining on part of Section 36, Township 9N, Range 13W, Granite County; one lease is for placer mining on part of Section 16, Township 14N, Range 9W, Lewis and Clark County. So far commercial production has not been obtained under any of these leases and consequently no royalties have been received.

The receipts from oil and gas leases have suffered a sharp decline during the last two years. Table No. XVI gives the figures for coal, oil and gas leases for a series of years.

TABLE No. XVI
RENTALS AND ROYALTIES ON COAL, OIL AND GAS LEASES
COLLECTED BY THE STATE OF MONTANA
From December 1, 1918, to June 30, 1932

Fiscal Year Ending	Rentals and Royalties on Coal Leases	Rentals on Oil and Gas Leases	Oil and Gas Royalties	TOTALS
Nov. 30, 1919	\$11,225.84	\$15,243.20	\$ None	\$26,469.04
Nov. 30, 1920	11,486.53	55,901.00	None	67,387.53
June 30, 1921	4,539.74	*29,601.27	None	34,141.01
June 30, 1922	5,923.20	*29,601.27	2,759.71	38,284.18
June 30, 1923	5,148.53	83,430.70	5,132.25	93,711.48
June 30, 1924	4,239.50	39,832.78	6,905.82	50,978.10
June 30, 1925	1,733.25	33,950.00	8,504.18	44,187.43
June 30, 1926	2,251.64	32,300.00	185,189.46	219,744.10
June 30, 1927	1,331.51	38,260.00	313,997.30	353,591.81
June 30, 1928	2,549.45	92,849.78	155,689.97	251,089.20
June 30, 1929	2,033.90	56,147.89	138,806.57	196,988.36
June 30, 1930	1,810.23	93,279.04	150,471.53	245,560.80
June 30, 1931	1,652.41	59,049.36	61,477.33	122,179.10
June 30, 1932	2,555.00	34,093.94	61,331.76	97,980.70
TOTALS	\$58,486.73	\$693,540.23	\$1,090,265.88	\$1,842,292.84

*Rentals for the two years averaged.

All rentals on oil and gas leases are credited to the Income Fund of the public schools or of the institution to which the lands belong. Rentals on coal mining leases are really royalties; and these rentals together with all royalties for oil and gas are added to the Permanent Fund of the institution to which the lands belong.

Successful Management

The State of Montana is doing fully as well in the leasing of its lands for oil and gas as private owners. Good rentals and royalties are realized; and as all royalties are added to the permanent, revenue producing funds, they will continue to serve the State of Montana, its institutions and people as long as the State government endures. It is believed that Montana's management of its oil and gas resources will compare favorably with that of any other state in the Union.

TABLE No. XVII
EASEMENT DEEDS TO STATE LANDS ISSUED FROM
JULY 1, 1930, TO JUNE 30, 1932

For What Purpose	No. of Deeds Issued	Acres	Compensation	Fees
Rights of Way for Public Highways	129	675.74	\$17,045.55	\$600.00
Telephone, Telegraph, Pipe and				
Power Lines	91	152.39	4,818.00	455.00
Railway Rights of Way	8	17.14	663.00	40.00
School House Sites	5	9.00	120.00	25.00
Canals and Ditches	6	55.38	551.45	30.00
Cemetery	1	1.75	1.00	5.00
TOTALS	231	911.40	\$23,199.00	\$1,155.00

Compensation for easements is regarded as payment on the land itself and is therefore added to the permanent fund of the institution to which the land belongs.

All easements in State lands are now granted under the provisions of Sections 56 to 63 of Chapter 60 of the 1927 Session Laws.

Section 57 of the Act makes suitable provision for the granting of easements in State lands for schoolhouse sites and grounds, for public parks, community buildings, cemeteries and other public uses. The former statutes relating to this subject were entirely inadequate.

Section 58 provides for the establishment of public highways on State land section lines without proceedings before the State Board of Land Commissioners, and this saves a great deal of unnecessary proceedings both for the county authorities and State officials. Sections 61 and 62 make it absolutely plain that when easements are wanted for public highways or other purposes over State lands outside of section lines, proper compensation and damages must be paid to the State in full harmony with the provisions of the Constitution.

This helpful legislation is a small part of the comprehensive and constructive measure for the reorganization and operation of this department that Governor Erickson recommended to the Legislature in 1927, and which is now embodied in Chapter 60 of the 1927 Session Laws.

TABLE No. XVIII
SUMMARY OF ALL LAND SALES FOR THE TWO FISCAL YEARS
BEGINNING JULY 1, 1930, AND TERMINATING JUNE 30, 1932

Date	Name of County	Public School (Acres)	Total Acres	Total Sales Price	Avg. Price Per Acre
July 1, 1930 to June 30, 1931	Jefferson	320.00	320.00	\$ 4,240.00	\$13.25
	Sanders	1,111.00	1,111.00	13,126.00	11.81
	18 Town Lots (Perma.)			1,180.00	
	TOTALS.....	1,431.00	1,431.00	\$18,546.00	\$12.13
July 1, 1931 to June 30, 1932	Wheatland	1,346.50	1,346.50	\$18,829.40	\$14.00
	TOTAL FOR BOTH YEARS		2,777.50	\$37,375.40	\$13.03

On account of the economic conditions prevailing throughout the State only a few tracts for which urgent demand had arisen were offered for sale during this period.

TABLE No. XIX
SUMMARY OF ALL LAND SALES UP TO JUNE 30, 1932

Fiscal Year Ending	Public School (acres)	University (acres)	Agri. College Morrill (acres)	Agri. College 2nd GL (acres)	School of Mines (acres)	State Normal (acres)	Deaf and dumb (acres)	State Reform (acres)	Capitol Buildings (acres)	Total Acres	Total Price	Ave. Price Per Acre
1897 and Prior Years..	10,070.76	2,870.13				86.00		960.00	641.98	14,622.87	\$186,280.89	\$12.739
1898	1,816.06	160.00				160.00			40.00	2,176.06	24,075.50	11.063
1899	2,442.03	608.42		116.30			560.00			3,726.75	41,110.00	11.031
1900	760.00	82.70								842.70	12,082.00	14.349
1901	2,076.00	520.00	235.28	40.00	262.81	353.13	280.00	339.40	622.80	4,737.42	61,029.50	12.882
1902	9,031.29	3,560.00	80.00	286.90	193.00	417.26	120.00	320.00	1,400.30	15,409.65	175,084.66	10.686
1903	10,294.29	1,334.95	416.06	781.85	1,190.98	1,027.12	376.54	17.20	945.08	16,384.07	142,118.02	16.030
1904	6,227.41	716.90	338.43	247.52	9.37	1,102.90	8.58	6.08	208.06	8,865.25	114,836.31	11.251
1905	5,878.82	828.67	1,200.00	720.00	409.83	524.18	1,000.00	40.00	1,301.34	10,206.21	287,497.43	12.718
1906	16,676.28	526.00	392.48	373.58	373.58	588.86	778.41	487.37	2,011.12	22,558.10	77,751.20	11.843
1907	19,331.27	1,121.72	3,827.02	1,182.18	9,358.26	2,056.15	3,470.64	1,937.02	9,904.27	54,171.62	604,288.00	11.211
1908	16,356.36	1,117.29	9,344.06	5,640.06	4,892.31	610.00		610.00	9,650.15	51,026.81	80,338.50	16.054
1909	3,800.86	36.98		.06	14.78	494.42		660.79		5,007.89	27,331.71	19.201
1910	97,856.38	9,507.15		993.81	11,364.96	5,710.04	320.00	329.53	16,256.85	142,338.72	729,388.72	12.819
1911	51,704.06	610.00	1,035.07		475.55	282.00	1.23	160.00	2,600.00	56,897.91	3,889,808.37	16.126
1912	188,258.13	2,537.52	3,920.11	2,836.04	6,457.43	1,604.84	700.07	87.48	820.24	210,210.86	1,670,822.23	16.142
1913	84,513.79	1,309.73	1,963.21	2,219.40	2,107.41	2,632.98	440.00	3,271.32	5,048.61	103,506.45	325,712.55	14.079
1914	19,450.32	23.02	280.00	1,218.65		3.93	33.18	1,566.60	617.36	23,133.06	971,463.59	15.583
1915	54,745.26	861.78	1,185.08	2,335.85	1,910.93	931.08	151.38	1,414.96	1,404.71	62,341.03	1,979,559.19	15.751
1916	113,770.54	1,720.62	2,720.18	1,480.00	1,999.86	1,579.07	1,167.81	200.83	869.69	125,668.60	1,213,132.28	15.691
1917	66,071.51	557.21	1,840.00	560.00	3,843.07	2,420.00	1,840.00	1,410.78	884.40	77,246.97	1,870,338.24	16.960
1918	102,584.68	2,921.74	2,489.34	14.63	2,921.74	1,282.75	211.70	440.00	274.88	110,219.76	2,491,803.44	15.766
1919	145,905.46	160.00	725.06	232.50	1,765.76	1,288.11	1,360.00	240.22	6,311.81	158,048.92	369,095.36	15.207
1920	22,096.93	1,042.00	720.22		1,765.76	1,288.11		160.32	251.23	24,270.70	47,571.91	16.300
1921	2,438.44		438.44					480.00		2,918.44	7,391.32	11.296
1922	650.01						4.31			654.32	16,430.60	10.000
1923	731.91		79.00				831.25			1,643.06	4,466.98	14.856
1924	145.83		120.00			8.83	22.59		1.11	299.33	49,892.54	24.123
1925	2,026.62					10.80				2,067.42	750,960.29	14.129
1926	53,088.14									53,146.98	653,190.81	14.019
1927	46,529.89									46,529.89	503,170.66	17.95+
1928	25,881.72	57.22		160.00	784.46	680.00			445.41	28,008.81	1,640,782.70	13.594
1929	116,201.00		494.60			80.00				117,714.55	426,615.16	15.94
1930	24,302.25		400.00	160.72	1,280.00	792.88			557.32	27,473.17	18,546.00	21.13
1931	1,431.00									1,431.00	18,829.40	14.00
1932	1,346.50									1,346.50		
TOTALS..	1,326,214.85	31,894.91	32,761.20	12,465.20	51,247.70	35,965.79	16,013.84	14,828.11	65,789.51	1,587,488.85	\$24,613,755.27	\$15.50

As already explained in this report, a great number of sales contracts have been cancelled on account of delinquency in payments. These cancellations are not taken into account in this summary; the summary shows the results of the sales as they were made. It will be noted that the average sales price for all these lands is \$15.50 per acre, more than 50% above the minimum sales price of \$10.00. It should be borne in mind, however, that the best lands sell first; it can not be expected that the remaining lands will bring the same high average.

In 1916 there was sold 160 acres Soldiers' Home land at \$18.00 per acre, amounting to \$2,880.00; and in 1926, 58.84 acres at \$18.00 per acre, amounting to \$1,059.12; and in 1929, 58.30 acres at \$18.00 per acre, amounting to \$1,060.20. These sales are included in the totals above given. At the 1928 sales 20 acres were sold belonging to the Orphans' Home and T. B. Sanitarium fund; and in 1930, 10 acres at \$50.00 per acre, amounting to \$500.00; both the acreage and the proceeds are included in the totals above given.

**ITEMIZED STATEMENT OF INVESTMENTS MADE FROM
July 1, 1930, to June 30, 1932**

The following tables numbered XX and XXI constitute a complete, itemized and exact statement of all investments in bonds and warrants made by this department from July 1, 1930, to June 30, 1932, reaching the substantial total of \$8,187,891.54. The tables show the actual payments made during these two years for bonds and warrants purchased.

It will be noted that some of the payments for bonds are in odd amounts. This is due to the fact that in some cases bonds were not presented for payment until after the first installment had become due, and in cases of this kind the first coupon was clipped from the bond before it was presented for payment and the principal of the bond was reduced accordingly.

From year to year the State Board of Land Commissioners has authorized its secretary to purchase on behalf of the Board individual bond issues of not more than \$10,000.00 each without consulting the Board. This practice was followed throughout the two year period covered by this report. In the case of all bond issues above \$10,000.00 the authorization of the Board has been obtained before placing bids. The proceedings for every bond issue purchased, without any exception whatever, has received the unqualified approval of the Attorney General before payment was made.

Table No. III found in the early part of this report constitutes a summary and classification of the investments listed in Table No. XX.

Table No. VII constitutes a summary and classification of the investments listed in Table No. XXI.

TABLE No. XX
INVESTMENTS MADE FROM JULY 1, 1930, TO JUNE 30, 1931

By Whom Issued	Kind of Bond	Amount	Interest Rate	Fund Invested	Date of Issue	Date Due
School District No. 78, Dawson County	Amortization Refunding	\$ 15,634.31	5½%	Public School Per.	July 1, 1929	July 1, 1939
School District No. 1, Lewis and Clark County	"	225,000.00	4¾%	" " "	July 1, 1930	July 1, 1940
School District No. 44, Sweet Grass County	"	2,900.00	6%	State Normal	Mar. 15, 1930	Mar. 15, 1940
School District No. 84, Fergus County	Sch. Am. Bldg.	6,659.45	6%	Deaf and Dumb	June 1, 1930	June 1, 1942
State of Montana	Gen Fund Warrants	248,245.33	4%	Pub. Sch. Int. & Inc.	June, 1930	
School District No. 58, Judith Basin County	Am. H. S. Bldg.	30,000.00	5½%	Agri. Col. 2nd Grant	June 1, 1930	June 1, 1950
School District No. 1, Ravalli County	Sch. Am. Bldg.	5,000.00	5%	Deaf and Dumb	July 1, 1930	July 1, 1950
School District No. 1, Ravalli County	" " "	25,000.00	5%	School of Mines	July 1, 1930	July 1, 1950
School District No. 4, Pondera County	" " "	4,000.00	6%	St. Ref. School	July 1, 1930	July 1, 1950
School District No. 180, Fergus County	Am. Refunding	500.00	6%	" " "	May 15, 1930	May 15, 1940
School District No. 185, Fergus County	" "	1,400.00	6%	Normal Schools	June 15, 1930	June 15, 1940
School District No. 6, Golden Valley County	Sch. Am. Bldg.	5,776.71	6%	" " "	Sept. 1, 1929	Sept. 1, 1939
Fed. Land Bank Bonds	Straight Term	97,500.00	4½%	Pub. Sch. Per.	Jan. 1, 1923	Jan. 1, 1953
School District No. 130, Fergus County	Am. Refunding	1,130.00	6%	Agri. Col. 2nd Grant	July 1, 1930	July 1, 1940
Town of Okalaka, Carter County	Elec. Light Amort.	10,000.00	5½%	School of Mines	July 1, 1930	July 1, 1950
State of Montana	Gen. Fund Warrants	370,345.16	4%	Pub. School Per.	July, 1930	
School District No. 43, Blaine County	Sch. Am. Bldg.	23,000.00	5½%	" " "	Aug. 1, 1930	Aug. 1, 1950
City of Great Falls, Cascade County	Water Works & Sewer	115,000.00	4½%	" " "	July 1, 1930	July 1, 1950
Dawson County	High School	49,258.19	5%	" " "	Jan. 1, 1930	Jan. 1, 1950
School District No. 22, Hill County	Sch. Am. Bldg.	1,200.00	6%	" " "	June 1, 1930	June 1, 1950

School District No. 4, Flathead County	Sch. Am. Bldg.	2,000.00	6%	Deaf and Dumb	June 1, 1930	June 1, 1940
School District No. 40, Cascade County	" " "	1,500.00	6%	Reform School	July 14, 1930	July 14, 1950
School District No. 40, Treasure County	Am. Refunding	2,300.00	6%	School of Mines	May 15, 1930	May 15, 1940
School District No. 3, Lincoln County	Sch. Am. Bldg.	1,200.00	6%	Mont. Tr. & Log.	July 1, 1930	July 1, 1950
State of Montana	Gen. Fund Warrants	285,902.63	4%	Pub. Sch. Per.	August, 1930	
School District No. 29 Big Horn County	Sch. Am. Bldg.	10,000.00	6%	Agri. Morrill	June 17, 1930	June 17, 1950
School District No. 9, Glacier County	" " "	20,000.00	5½%	State University	Aug. 1, 1930	Aug. 1, 1950
City of Baker, County of Fallon	Water System	15,000.00	5½%	Sch. of Mines	Sept. 1, 1930	Sept. 1, 1935
School District No. 1, Ravalli County	Sch. Am. Bldg.	25,000.00	5%	Public School Per.	July 1, 1930	July 1, 1950
High School, Series "B", Pawson County	H. S. Am. Bldg.	49,237.39	4¾%	" " "	Jan. 1, 1930	Jan. 1, 1950
School District No. 9, Valley County	Sch. Am. Bldg.	15,000.00	5½%	State Normal	July 1, 1930	July 1, 1940
School District No. 85, Fergus County	" " "	2,000.00	6%	Reform School	Aug. 1, 1930	Aug. 1, 1940
School District No. 11, Granite County	Gym. Am. Bldg.	20,000.00	5½%	Public School Per.	Sept. 15, 1930	Sept. 15, 1940
High School, Missoula County	H. S. Am. Bldg.	50,000.00	4,6%	" " "	July 1, 1930	July 1, 1950
School District No. 45S, Golden Valley County	Am. Refunding	1,000.00	6%	" " "	Aug. 1, 1930	Aug. 1, 1940
School District No. 71, Cascade County	Sch. Am. Bldg.	2,500.00	6%	State Univ.	Sept. 4, 1930	Sept. 4, 1950
School District No. 118, Pawson County	Am. Refunding	700.00	6%	Reform School	May 1, 1930	May 1, 1940
State of Montana	Gen. Fund Warrants	300,000.00	4%	Pub. School Per.	September, 1930	
State of Montana	" " "	43,731.25	4%	Pub. Sch. 1. & L.	September, 1930	
State of Montana	" " "	347,076.22	4%	Pub. Sch. Per.	October, 1930	
School District No. 33, Rosebud County	Sch. Am. Bldg.	7,000.00	6%	Agri. Col. 2nd	Oct. 1, 1930	Oct. 1, 1946
High School, Series "B", Pawson County	H. S. Am. Bldg.	49,237.39	4¾%	Public School Per.	Jan. 1, 1930	Jan. 1, 1950
School District No. 39, Richland County	Sch. Am. Bldg.	1,400.00	6%	State Univ.	Oct. 1, 1930	Oct. 1, 1950
State of Montana	Gen. Fund Warrants	8,162.83	4%	Dixon Endowment Per.		

TABLE No. XX (Continued)
INVESTMENTS MADE FROM JULY 1, 1930, TO JUNE 30, 1931

By Whom Issued	Kind of Bond	Amount	Rate Interest	Fund Invested	Date of Issue	Date Due
State of Montana	Gen. Fund Warrants	\$295,806.15	4%	Pub. Sch. Per.	November, 1930	
Joint District No. 6,	Sch. Am. Bldg.	6,000.00	6%	State University	July 1, 1930	July 1, 1950
Missoula, No. 15, Ravalli	" " "	2,300.00	6%	Public School	Dec. 15, 1930	Dec. 15, 1950
School District No. 17,	" " "	4,000.00	6%	Vet. Memorial	Dec. 15, 1930	Dec. 15, 1940
Park County						
School District No. 11,	Bridge	55,000.00	4½%	Public School	Oct. 1, 1930	Oct. 1, 1950
Sanders County	"	5,000.00	4½%	Agri. Col. Morrill	Oct. 1, 1930	Oct. 1, 1950
Richland County	"	15,000.00	4½%	School of Mines	Oct. 1, 1930	Oct. 1, 1950
Richland County	"	10,000.00	4½%	State Normal	Oct. 1, 1930	Oct. 1, 1950
State of Montana	Gen. Fund Warrants	460,916.55	4%	Pub. Sch. Per.	December, 1930	
Gallatin County	Serial Refunding	100,000.00	4½%	" " "	Jan. 1, 1931	Jan. 1, 1941
School District No. 7,	Am. Refunding	40,000.00	4½%	" " "	Jan. 1, 1931	Jan. 1, 1936
Gallatin County	Sch. Am. Bldg.	1,600.00	6%	State Univ.	Jan. 1, 1931	Jan. 1, 1941
School District No. 15,	Sch. Am. Bldg.	1,000.00	6%	Pub. Sch. Per.	Dec. 15, 1930	Dec. 15, 1940
Stillwater County	Am. Refunding	1,500.00	6%	" " "	June 15, 1930	June 15, 1940
School District No. 53,	Am. Refunding	107,000.00	4½%	" " "	Jan. 12, 1931	Jan. 12, 1949
Yellowstone County	Am. Refunding	1,200.00	6%	" " "	Sept. 15, 1930	Sept. 15, 1940
School District No. 19,	Sch. Am. Bldg.	65,000.00	4¾%	" " "	Jan. 1, 1930	Jan. 1, 1950
Powell County	Am. Refunding	1,600.00	6%	St. University	Aug. 1, 1930	Aug. 1, 1935
City of Bozeman,	Am. Refunding	1,000.00	6%	St. University	July 15, 1930	July 15, 1940
Gallatin County	Sewer Am. Refdg.	20,000.00	5½%	School of Mines	Jan. 1, 1931	Jan. 1, 1951
School District No. 68,	Gen. Fund Warrants	135,731.61	4%	Public School Per.	January, 1931	
Sweet Grass County						
High School,						
Dawson County						
School District No. 68,						
Dawson County						
School District No. 67,						
Sweet Grass County						
City of Conrad,						
Pondera County						
State of Montana						

School District No. 39, Madison County	Sch. Am. Bldg.	2,500.00	6%	Ref. School	Oct. 27, 1930	Oct. 27, 1930
High School, Missoula County	H. S. Am. Bldg.	24,612.34	4 6%	Public School Per.	July 1, 1930	July 1, 1950
Fallon County	Ser. Refunding	117,000.00	4 3/4%	" " "	Jan. 1, 1931	Jan. 1, 1932, etc.
Fallon County	Ser. Refunding	13,000.00	4 3/4%	State Normal	Jan. 1, 1931	Jan. 1, 1941
State of Montana	Gen. Fund Warrants	254,050.44	4%	Public Sch. Per.	February, 1931	
City of Helena, Lewis and Clark County	Water Amort.	25,000.00	4 1/2%	" " "	Apr. 1, 1931	Apr. 1, 1951
High School, Missoula County	H. S. Am. Bldg.	49,224.69	4.6%	" " "	July 1, 1930	July 1, 1950
High School, Missoula County	H. S. Am. Bldg.	73,837.03	4.6%	" " "	July 1, 1930	July 1, 1950
State of Montana	Gen. Fund Warrants	261,731.06	4%	" " "	May, 1931	
School District No. 2, Sanders County	Sch. Am. Bldg.	3,000.00	5%	Vet. Memorial	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	4,000.00	5%	Mont. Tr. & Leg.	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	13,000.00	5%	St. University	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	6,000.00	5%	State Reform	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	14,000.00	5%	State Normal	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	12,000.00	5%	School of Mines	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	5,000.00	5%	Deaf and Dumb	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	8,000.00	5%	Agri. Col. 2nd	June 1, 1931	June 1, 1941
School District No. 2, Sanders County	" " "	8,000.00	5%	Agri. Col. Morrill	June 1, 1931	June 1, 1941
City of Glasgow, Valley County	Am. Refunding	50,000.00	5%	Public School Per.	June 1, 1931	June 1, 1951
School District No. 14, Powell County	Am. Refunding	800.00	6%	St. University	June 1, 1931	June 1, 1941
City of Helena, Lewis and Clark County	Water Amort.	25,000.00	4 1/2%	Public School Per.	April 1, 1931	April 1, 1951
City of Phillipsburg, Granite County	Am. Funding	22,947.54	5 1/2%	" " "	June 15, 1931	June 15, 1941
School District No. 28, Hill County	Sch. Am. Bldg.	30,000.00	5 1/2%	" " "	June 1, 1931	June 1, 1951
State of Montana, School District No. 20, Phillips County	Gen. Fund Warrants	208,272.46	4%	Pub. Sch. Int. & Inc.	June, 1931	
	Sch. Am. Bldg.	6,000.00	6%	Public School Per.	June 15, 1931	June 15, 1951
Total Amount Invested		\$5,064,186.73				

TABLE No. XXI
INVESTMENTS MADE FROM JULY 1, 1931, TO JUNE 30, 1932

By Whom Issued	Kind of Bond	Amount	Interest Rate	Fund Invested	Date of Issue	Date Due
Joint School Dist. No. 24	Sch. Am. Bldg.	\$ 25,000.00	5¼ %	Pub. School Per.	July 1, 1931	July 1, 1951
Gallatin & Broadwater	Water Amort.	100,000.00	4½ %	" "	July 1, 1931	July 1, 1950
Cascade County	Sch. Am. Bldg.	6,500.00	6 %	Mont. Tr. and Legacy	June 1, 1931	June 1, 1951
Sheridan County	Gen. Fund Warrants	375,430.86	4 %	Pub. Sch. Per.		
State of Montana	Water Amort.	25,000.00	4½ %	Mont. Tr. and Legacy	Apr. 1, 1931	Apr. 1, 1951
City of Helena	Conv. Amort.	450.00	6 %	Agri. Col. 2nd Grant	June 15, 1931	June 15, 1936
Lewis & Clark County	Sch. Am. Bldg.	5,000.00	5 %	University	July 1, 1931	July 1, 1951
School District No. 20,	Sch. Am. Bldg.	5,000.00	5 %	Agri. Morrill	July 1, 1931	July 1, 1951
Sheridan County	Sch. Am. Bldg.	5,000.00	5 %	Agri. 2nd Gr.	July 1, 1931	July 1, 1951
School District No. 20,	Sch. Am. Bldg.	10,000.00	5 %	School of Mines	July 1, 1931	July 1, 1951
Sheridan County	Gen. Fund Warrants	208,878.43	4 %	Pub. School Int. & In.	August 1931	
State of Montana	Conv. Amort.	1,500.00	6 %	Agri. 2nd Gr.	June 15, 1931	June 15, 1941
School District No. 42,	Sch. Am. Bldg.	92,500.00	5 %	Pub. School Per.	July 1, 1931	July 1, 1951
Pergus County	Sch. Am. Bldg.	1,500.00	6 %	Deaf & Dumb	June 15, 1931	June 15, 1951
School District No. 14,	Sch. Am. Bldg.	1,000.00	6 %	Soldiers' Home	June 15, 1931	June 15, 1951
Toole County	Sch. Am. Bldg.	3,000.00	6 %	Deaf & Dumb	June 30, 1931	June 30, 1951
School District No. 31,	Sch. Am. Bldg.	5,000.00	6 %	State Reform	June 30, 1931	June 30, 1951
Stillwater County	Water Amort.	25,000.00	4½ %	Pub. School Per.	Apr. 1, 1931	Apr. 1, 1951
School District No. 36,	Gen. Fund Warrants	274,042.45	4 %	" "	Sept. 1931	
Fallon County	Sch. Am. Bldg.	1,000.00	6 %	Vet. Memorial	Sept. 15, 1931	Sept. 15, 1941
School District No. 19,	Gen. Fund Warrants					
Gallatin County	Sch. Am. Bldg.					
School District No. 4,	Water Amort.					
Gallatin County	Gen. Fund Warrants					
City of Helena,	Sch. Am. Bldg.					
Lewis & Clark County	Water Amort.					
State of Montana	Gen. Fund Warrants					
School District No. 18,	Sch. Am. Bldg.					
Sweet Grass County						

State of Montana	Gen. Fund Warrants	225,877.28	1%	Pub. Sch. Per.	October 1931	
City of Helena, Lewis & Clark County	Water Amort.	25,000.00	1½%	Pub. School	Apr. 1, 1931	Apr. 1, 1951
Sheridan County No. 20,	Sch. Am. Bldg.	5,000.00	5%	School Mines	July 1, 1931	July 1, 1951
Sheridan County No. 20,	Sch. Am. Bldg.	20,000.00	5%	State Normal	July 1, 1931	July 1, 1951
City of Helena, Lewis & Clark County	Water Amort.	25,000.00	1½%	Pub. Sch. Per.	Apr. 1, 1931	Apr. 1, 1951
State of Montana	Gen. Fund Warrants	470,559.63	1%	" " "	November 1931	
City of Great Falls, Cascade County	Water Amort.	100,000.00	1½%	" " "	July 1, 1931	July 1, 1950
School District No. 49, Stillwater County	Sch. Am. Bldg.	500.00	6%	" " "	Dec. 1, 1931	Dec. 1, 1936
City of Great Falls, Cascade County	Water Amort.	30,000.00	1½%	" " "	July 1, 1931	July 1, 1950
City of Helena, Lewis & Clark County	Water Amort.	25,000.00	1½%	" " "	Apr. 1, 1931	Apr. 1, 1951
State of Montana	Gen. Fund Warrants	151,748.60	1%	" " "	December, 1931	
School District No. 2, Valley County	Sch. Am. Bldg.	2,000.00	6%	University	Nov. 1, 1931	Nov. 1, 1951
State of Montana	Gen. Fund Warrants	85,636.47	1%	Pub. Sch. Per.	January, 1932	
City of Lewistown, Fergus County	Amortization Funding	9,618.28	5½%	University	July 1, 1931	July 1, 1941
City of Lewistown, Fergus County	" "	4,809.14	5½%	Agri. Morrill	July 1, 1931	July 1, 1941
City of Lewistown, Fergus County	" "	9,618.28	5½%	School Mines	July 1, 1931	July 1, 1941
City of Lewistown, Fergus County	" "	2,880.82	5½%	Normal	July 1, 1931	July 1, 1941
State of Montana	Uni. Millage Warrants	40,049.82	1%	W. W. Dixon Endow.		
State of Montana	Gen. Fund Warrants	17,840.22	4%	Pub. Sch. Per.	January, 1932	
School District No. 132, Dawson County	Conv. Amortization	350.00	5½%	" " "	Feb. 3, 1932	Feb. 3, 1937
State of Montana	Gen. Fund Warrants	128,921.16	4%	" " "	February, 1932	
Lake County	Amort. Funding	5,000.00	5½%	University	Jan. 1, 1932	Jan. 1, 1942
Lake County	" "	15,000.00	5½%	School Mines	Jan. 1, 1932	Jan. 1, 1942
Lake County	" "	15,000.00	5½%	State Normal	Jan. 1, 1932	Jan. 1, 1942
Lake County	" "	10,000.00	5½%	Deaf & Dumb	Jan. 1, 1932	Jan. 1, 1942

TABLE No. XXI (Continued)
INVESTMENTS MADE FROM JULY 1, 1931, TO JUNE 30, 1932

By Whom Issued	Kind of Bond	Amount	Interest Rate	Fund Invested	Date of Issue	Date Due
Lake County	Amort. Refunding	\$ 5,000.00	5½%	Mont. Trust & Legacy	Jan. 1, 1932	Jan. 1, 1942
State of Montana School District No. 1, Cascade County	Gen. Fund Warrants	170,641.94	4%	Pub. Sch. Per.	March, 1932	
School District No. 1, Cascade County	Sch. Am. Bldg.	14,757.41	4.6%	Pub. Sch. Per.	June 1, 1931	June 1, 1951
School District No. 16, Big Horn County, City of Helena,	" " "	4,922.47	4.6%	State Reform	June 1, 1931	June 1, 1951
Lewis and Clark County	Amort. Refunding	3,250.00	6%	State Reform	April 10, 1932	April 10, 1942
	Water Amortization	25,000.00	4½%	Public School Per.	April 1, 1931	April 1, 1951
State of Montana	Gen. Fund Warrants	204,057.99	4%	" " "	April, 1932	
State of Montana School District No. 1, Cascade County	Gen. Fund Warrants	164,547.21	5%	" " "	June, 1932	
School District No. 1, Cascade County	Sch. Am. Bldg.	4,843.16	4.6%	Mont. Trust & Legacy	June 1, 1931	June 1, 1951
Cascade County	Sch. Am. Bldg.	14,529.48	4.6%	Public School	June 1, 1931	June 1, 1951
State of Montana	Univ. Millage Warrants	1,375.94	4%	School Mines		
State of Montana	" " "	3,907.33	4%	Normal Schools		
State of Montana	" " "	21,898.98	4%	Agri. Second Gr.		
State of Montana	" " "	4,691.06	4%	Agri. Morrill Gr.		
State of Montana	" " "	1,061.00	4%	University		
Total Amount Invested		\$3,123,704.81				

THE MONTANA TRUST AND LEGACY FUND

Article XXI of the State Constitution and Chapter 70 of the 1929 Session Laws provide among other things that the State will accept gifts, donations, grants and legacies in any amount or value of not less than \$250.00 each for the benefit of scientific, educational, benevolent and charitable work; hold the same in trust, invest them safely in good securities and apply the net earnings as directed by the giver, subject, of course, to certain limitations.

Safe and Simple Administration

The funds are safely invested by the State Board of Land Commissioners as **one common fund** known and designated as the Montana Trust and Legacy Fund. At the end of each year one-twentieth of the interest collected is paid into the State General Fund, and the remainder is apportioned to each separate fund on the basis of the amount thereof at the beginning of the year. The administration of this fund has the special safeguard of being subject to the supervision of the Justices of the Supreme Court. Important questions were submitted to the Court last February, and the decision is printed in full beginning on page 56.

Funds Constituting the Montana Trust and Legacy

June 30, 1932

Escheated Estates Fund	\$114,134.03
Senator Walsh Endowment Fund	5,000.00
Orphans' Home and T. B. Society	464.41
Total	\$119,598.44

How Invested

County, City and School District Bonds	\$117,782.51
Cash on Hand with State Treasurer	1,815.93
Total	\$119,598.44

The "net earnings" for the calendar year ending December 31, 1931, was practically 5½ per cent.

Through This Plan Good Deeds May Live

It is a very common thing that people of means set aside a part of their fortune as an endowment for some form of welfare work. This aspiration for some part in the good work of the future and the desire to be remembered by posterity are fundamental traits in human nature and have shown themselves from the earliest times known to history.

The plan worked out by the State of Montana for the administration of gifts for these various and numerous purposes should have a strong appeal to these traits in human nature. In a manner, it extends the ambitions and activities of the givers into the distant future, and it makes ample provision for the remembrance of their names.

- Funds for any worthy purpose of a public nature may be administered under this plan—funds for poor relief, the support of schools, churches or hospitals, the protection of animals, scientific research, and so forth. Through this plan your good deeds may live long beyond your natural life—live as long as the government of the State itself.

Questions Decided by the Supreme Court

In the apportionment of the interest collected for the Montana Trust and Legacy Fund during the calendar year ending January 31, 1931, certain questions arose, and in order to have the correct practice established, they were submitted to the Supreme Court. The decision of the high court is clear and constructive and is as follows:

“STATE OF MONTANA SUPREME COURT HELENA

July 7, 1932

“Mr. I. M. Brandjord,
Commissioner State Lands and Investments,
Helena, Montana.

Dear Mr. Brandjord:

By letter of February 13, 1932, you advise us that under the provisions of Section 17 of Article XXI of the state constitution the question of the exact basis for the distribution of the net earnings of the Montana Trust and Legacy Fund accruing during the year terminating December 31, 1931, has arisen, and you have submitted the matter to us as a supervisory board over the administration of the fund, for decision.

It appears that yourself, the state treasurer, and state accountant are interested in the interpretation of the law, and we record the fact that you three met with us on February 18th. Reserving the question whether we are in duty bound to act as a supervisory board under the provisions of Section 17 of Article XXI (Const. Art. IV; Chap. 134, Session Laws, 1923) we are pleased to answer the questions presented, which are:

(1) Do the provisions of Section 11 of Chapter 70, Laws of 1929, conflict with the provisions of Section 11 of Article XXI of the constitution; (2) Must a fund in order to participate in the distribution of the net earnings remain a part of the Montana Trust and Legacy Fund on December 31 of the year in which the interest was earned, that is, must some part of the fund remain as a portion of the Montana Trust and Legacy Fund during the entire year; and (3) Where the net earnings of a particular fund is not actually credited (the book entries made) to that fund until subsequent to January 1, shall the same be regarded as a part of such fund on that date in calculating the distribution of the net earnings for that year?

1. Article XXI, *supra*, provides for the creation of the Montana Trust and Legacy Fund and directs in detail the class of investments and the administration of the fund.

Section 11 of that article provides that the State shall be entitled to receive as compensation for the administration of the funds 1/20 of all the interest collected thereon each year; that the state treasurer shall, on the last day of December of each

year transfer to the general fund the $1/20$ of all interest so collected, less all losses ascertained during the year, and 'the balance of the interest collected shall be the net earnings and shall be credited pro rata to each and every fund constituting the Montana Trust and Legacy Fund that was in the keeping of the State on January 1st of that year, based on the total thereof on that date, and shall be added to each fund, or held available for the beneficiaries as the case may be.'

Section 11 of Chapter 70, providing for the distribution of the net earnings from the various funds follows closely the constitutional provision (Sec. 11, Art. XXI) but adds: 'If any fund is larger or smaller on December 31 than on January 1 of the same year, then the average of the amounts on these two dates shall be the basis for calculating the interest to be credited to that fund.' By this provision the legislature attempted to provide a method entirely different from that provided in the constitution, and instead of taking the amount in the several funds as of January 1, sought to strike an average of the amounts on January 1 and December 31.

2. The portion of Section 11 of Article XXI, which deals directly with the distribution of the net earnings, is embraced in the following lines: 'The balance of the interest collected shall be the net earnings and shall be credited pro rata to each and every fund constituting the Montana Trust and Legacy Fund, that was in the keeping of the State on January 1st of that year, based on the total thereof on that date, and shall be added to each such fund or held available for the beneficiaries as the case may be. Sums due beneficiaries shall be paid out during the ensuing month of January, as far as practicable.' The word 'balance' as used in this section means the remainder of the interest collected during the year after the transfer of a portion of such interest to the State General Fund; and as the transfer to that fund is required to take place on December 31st, it would appear that the time when the net earnings are to be credited is December 31st. Consequently it would seem that a fund, in order to participate in the distribution of the net earnings, must remain a part of the Montana Trust and Legacy Fund on December 31st of the year in which the interest was earned; that is, some part of the fund must remain as a portion of the Montana Trust and Legacy Fund during the entire year.

3. As already pointed out, Section 11 of Article XXI provides for the distribution of the net earnings to the several funds on December 31st of each year. The fact that the book entries showing the transfer of a credit to a particular fund were not made until a date subsequent to January 1, does not change the situation in any particular; the accrued interest is as much a part of the fund as though the book entries had in fact been made. In other words, the law will consider done that which should have been done.

Very respectfully,

For the Court,

(Signed) LEW L. CALLAWAY

Chief Justice.

In triplicate.

Copies to:
Hon. F. E. Williams,
State Treasurer;
William Hosking,
State Accountant."

The decision may be summarized as follows:

1. The basis for the calculation and distribution of the "net earnings" is the amount of each particular fund on January 1 of the year through which the interest was collected. That part of Section 11 of Chapter 70 of the 1929 Session Laws which provides for taking the average between the amount of a fund on January 1 and December 31 following as the basis is contrary to Section 11 of Article XXI of the Constitution, which makes the amount on January 1 the sole basis.

2. In order to participate in the distribution of the "net earnings" a fund must be and remain a part of the Montana Trust and Legacy Fund from January 1 to December 31 of the year in which the interest was collected.

3. In the case of cumulative funds, the interest to be apportioned to a certain fund on December 31 of any one year is to be regarded as part of that fund on January 1 following in calculating its share of the interest during such year even though the book entries crediting such interest were not made until a later date. "The law will consider done that which should have been done."

TABLE NO. XXII.
COST OF ADMINISTRATION

	July 1, 1930 to June 30, 1931		July 1, 1931 to June 30, 1932	
Salaries:				
Commissioner	*\$ 3,450.00		\$ 3,600.00	
Assistant Commissioner	2,400.00		2,400.00	
Other Salaries	17,770.75	\$23,620.75	15,999.58	\$21,999.58
Premiums and Fee for Official				
Bonds		137.50		137.50
Postage, incld. Stamped Envel's		823.10		1,309.40
Telephone and Telegraph		216.25		268.66
Record Books and Blanks		731.40		815.25
Printing Reports		254.48		
Sundry Office Supplies		729.65		474.17
U. S. Land Office Filing Fees for				
Lieu Land Selections		8.00		40.00
Legal Advertising for Lieu				
Land Selections		30.00		99.70
Mileage and Expense Attending				
Bond Sales, Traveling Ex., etc.		44.39		**350.87
Advt. Mortgage Land for Sale...		26.00		
Expense of State Land Sales:				
Advt. Lands Offered for Sale	112.50		24.50	
Mileage and Expense Attend-				
ing Sales	58.42	170.92	4.05	28.55
Furniture and Equipment		337.99		461.75
		\$27,160.53		\$25,985.43
FIELD DIVISION				
Under Chief Field Agent				
Salaries	\$ 8,950.00		\$8,222.50	
Traveling Expenses of Fieldmen				
and Other Operating Expenses	8,178.53	17,128.53	6,143.34	14,365.84
Total Cost of Administration...		\$44,289.06		\$40,351.27

* \$150.00 deducted because of absence from office as member of the Commission on the Public Domain

** This includes expenses of a journey to Washington, D. C., to attend hearings on public lands legislation before the Senate Committee on Public Lands and Surveys in March, 1932. See page 252 of the Report of the Hearings.

All purchasing is done entirely through the State Purchasing Agent and is confined to items strictly necessary for the economical transaction of the department's business.

In order to operate within the salary appropriation for the last fiscal year it was necessary to lay off the man who had charge of the work on the title status records; it was even found necessary to lay off for short periods several clerks whose constant services were urgently needed. The field work also had to be curtailed.

The department is being operated along lines of strictest economy.

TABLE NO. XXIII.
RECEIPTS FROM STATE LANDS AND THE
PERMANENT FUNDS BY YEARS

Prior to 1896	\$	172,190.71	
During 1896		38,185.23	
1897		101,755.98	
1898		126,833.71	
1899		200,195.20	
1900		200,275.25	
1901		293,335.75	
1902		363,584.63	
1903		388,279.13	
1904		389,812.60	
1905		357,790.52	
1906		651,352.62	
1907		829,480.06	
1908		805,105.35	
1909		434,429.96	
1910		826,836.01	
1911		695,771.74	
1912		1,306,892.75	
1913		1,223,857.96	
1914		1,122,205.27	
1915		1,219,602.97	
1916		1,657,639.21	
1917		1,812,812.29	
1918		1,828,712.43	
1919		2,263,728.95	
1920		1,770,070.57	
1921 (Dec. 1, 1920, to June 30, 1921)		699,653.74	
1922		1,290,891.25	
1923		1,408,325.48	
1924		1,183,456.66	
Total	\$25,663,054.98		

	Income	Receipts for Permanent Funds	Totals
July 1, 1924—June 30, 1925	\$1,101,763.73	\$360,994.55	\$ 1,462,758.28
July 1, 1925—June 30, 1926	1,276,841.10	645,211.40	1,922,052.50
July 1, 1926—June 30, 1927	1,403,869.20	697,056.60	2,100,920.80
July 1, 1927—June 30, 1928	1,583,485.78	703,791.39	2,287,277.17
July 1, 1928—June 30, 1929	1,588,916.71	745,245.45	2,334,162.16
July 1, 1929—June 30, 1930	1,536,964.63	563,716.54	2,100,681.17
July 1, 1930—June 30, 1931	1,314,364.67	344,701.33	1,659,066.00
July 1, 1931—June 30, 1932	1,020,005.16	255,130.44	1,275,135.60
GRAND TOTAL			\$40,805,108.66

This table shows the receipts both for the income funds and for the permanent funds belonging to the public schools and the State institutions of learning for which federal land grants were made and also the receipts for the Capitol Building Fund. For the last eight fiscal years the income has been separated from the receipts belonging to the permanent funds, but the receipts for the permanent funds for these eight fiscal years do not include **repayments** on bonds, warrants and other investments; only the original receipts for these permanent funds are here shown. For an itemized statement of all receipts both for the income funds and the permanent funds for these years see Tables numbered I, II, V and VI.

TABLE NO. XXIV.

**ANNUAL APPORTIONMENT OF THE INCOME FROM THE PUBLIC SCHOOL
PERMANENT FUNDS, ETC., TO THE SCHOOL DISTRICTS
OF THE STATE**

YEAR IN WHICH APPORTIONED	Amount Appor- tioned	Number of Persons of School Age	Amount Per Capita
1889 to 1896	\$ 51,027.60	39,252	\$1.30
1897	17,731.56	42,218	.42
1898	28,630.98	46,179	.62
1899	41,561.52	49,478	.84
1900	80,428.50	53,619	1.50
1901	105,842.20	57,212	1.85
1902	138,905.00	61,736	2.25
1903	168,019.80	64,623	2.60
1904	169,786.65	66,583	2.55
1905	183,366.75	69,195	2.65
1906	205,360.60	70,814	2.90
1907	217,491.00	72,498	3.00
1908	227,071.90	73,249	3.10
1909	250,380.00	77,040	3.25
1910	305,793.75	81,545	3.75
1911	266,415.00	88,805	3.00
1912	345,404.50	98,687	3.50
1913	419,096.00	104,774	4.00
1914	513,144.00	114,032	4.50
1915	632,085.00	126,417	5.00
1916	713,291.25	135,865	5.25
1917	810,991.50	147,453	5.50
1918	877,536.00	159,552	5.50
1919	890,873.50	161,971	5.50
1920	969,756.00	161,625	6.00
1921	954,418.20	156,426	6.10
1922	785,082.90	160,211	4.90
1923	936,794.40	160,410	5.84
1924	892,363.54	157,745	5.67

	Income from Permanent Fund and Grant	25% of Oil Tax	50% of Metals Mines Tax	Total	Less 5% Added to Perm. Fund		
1925	\$ 850,360.89	\$10,917.67		\$ 861,278.56	\$43,063.93	\$ 818,214.63	157,872
1926	1,038,624.11	26,878.08	\$187,093.64	1,252,595.83	62,629.79	1,189,966.04	156,383
1927	1,121,130.17	41,190.62	202,860.30	1,365,181.09	68,259.05	1,296,922.04	154,458
1928	1,233,910.50			1,233,910.50	61,695.53	1,172,214.97	152,119
1929	1,340,903.71			1,340,903.71	67,045.19	1,273,858.52	157,747
1930	1,426,973.50			1,426,973.50	71,348.88	1,355,624.62	160,846
1931	1,143,847.76			1,143,847.76	57,192.39	1,086,655.37	160,836
1932	878,693.71			878,693.71	43,934.69	834,759.02	161,372

* There was a balance of \$124.42 not apportioned.

This table shows the amount of money actually apportioned by the state to the school districts of the various counties. The apportionments made up to and including the year 1923 undoubtedly represented almost exclusively the income from the public school permanent funds and grant. The apportionments made in 1925, 1926 and 1927 include certain receipts from the oil tax and metals mines tax as shown in the table.

Chapter 67 of the Session Laws of 1923 provides for the levy and collection of an oil license tax of 2% of the gross value of the crude oil produced within the State and further provides that the State Treasurer shall annually transfer to the school income fund 25% of such tax.

At the general election in 1924 the people of the State adopted Initiative Measure No. 28 providing for a license tax on metalliferous mines, and 50% of this tax was to go to the public school income fund. The foregoing table shows how much has been derived from each one of these sources.

Chapter 119 of the 1927 Session Laws provides that such proceeds from these license taxes shall no longer become a portion of the public school income fund, but shall be transferred to a fund to be known as the State Common School Equalization Fund. By the terms of the act the State Board of Education is declared to be the Common School Equalization Board, to administer and distribute the equalization fund as further provided in the act. This distribution is entirely separate from the apportionment of the public school income fund.

As a result the apportionment made in 1928 is more than \$100,000.00 less than the apportionment made in 1927, notwithstanding the fact that the income through this department apportioned in 1928 was by far the largest income ever received during any year in its history.

The apportionment of the income is governed by Section 5 of Article XI of the State Constitution and various statutory provisions. The apportionment is usually made in March of each year, and includes the collections for the last previous calendar year. It is calculated on the basis of the number "of children and youths between the ages of six and twenty-one residing" in each school district.

TABLE No. XXV
THE 1926 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of the apportionment. The rate was 7.61 per child

County	No. of Census Children	Amount Apportioned
Beaverhead.....	1,817	\$ 13,826.11
Big Horn.....	2,860	21,762.61
Blaine.....	2,352	17,897.09
Broadwater.....	762	5,798.36
Carbon.....	5,187	39,469.46
Carter.....	1,236	9,405.11
Cascade.....	10,587	80,559.68
Chouteau.....	2,503	19,046.09
Custer.....	2,961	22,531.15
Daniels.....	1,855	14,115.27
Dawson.....	2,833	21,557.16
Deer Lodge.....	4,133	31,449.25
Fallon.....	1,464	11,140.03
Fergus.....	5,608	42,672.97
Flathead.....	5,414	41,196.77
Gallatin.....	4,713	35,862.65
Garfield.....	1,325	10,082.34
Glacier.....	1,927	14,663.14
Golden Valley.....	812	6,178.77
Granite.....	821	6,247.25
Hill.....	3,563	27,111.95
Jefferson.....	1,186	9,024.65
Judith Basin.....	1,878	14,290.28
Lake.....	3,104	23,619.28
Lewis and Clark.....	4,804	36,555.09
Liberty.....	683	5,197.17
Lincoln.....	2,577	19,609.18
McCone.....	1,287	9,793.19
Madison.....	1,739	13,232.59
Meagher.....	582	4,428.63
Mineral.....	549	4,177.52
Missoula.....	5,689	43,289.32
Musselshell.....	2,721	20,704.92
Park.....	3,104	23,619.28
Petroleum.....	765	5,821.13
Phillips.....	2,591	19,715.71
Pondera.....	1,995	15,180.57
Powder River.....	1,049	7,982.17
Powell.....	1,447	11,010.67
Prairie.....	1,355	10,310.62
Ravalli.....	2,935	22,333.31
Richland.....	3,304	25,141.14
Roosevelt.....	3,399	25,864.03
Rosebud.....	2,088	15,888.23
Sanders.....	1,554	11,824.87
Sheridan.....	3,236	24,623.71
Silver Bow.....	14,676	111,674.10
Stillwater.....	2,067	15,728.44
Sweet Grass.....	1,189	9,047.47
Teton.....	1,728	13,148.89
Toole.....	1,373	10,447.58
Treasure.....	583	4,436.24
Valley.....	3,215	24,463.92
Wheatland.....	1,295	9,854.06
Wibaux.....	1,096	8,339.81
Yellowstone.....	8,807	67,015.12
Totals.....	156,383	\$1,189,966.04

TABLE No. XXVI.
THE 1927 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of the apportionment. The rate was \$3966 per child.

County	No. of Census Children	Amount Apportioned
Beaverhead.....	1,569	\$ 13,174.27
Big Horn	2,782	23,359.34
Blaine.....	2,310	19,396.15
Broadwater.....	774	6,498.97
Carbon.....	5,102	42,839.45
Carter.....	1,302	10,932.38
Cascade	10,635	89,297.84
Chouteau	2,477	20,798.38
Custer.....	2,747	23,065.46
Daniels.....	1,920	16,121.48
Dawson.....	2,765	23,216.60
Deer Lodge	4,158	34,913.06
Fallon.....	1,484	12,460.55
Fergus.....	5,457	45,820.24
Flathead.....	5,556	46,651.51
Gallatin	4,797	40,278.49
Garfield	1,339	11,243.05
Glacier	1,837	15,424.55
Golden Valley	734	6,163.10
Granite.....	779	6,540.95
Hill	3,708	31,134.59
Jefferson	1,200	10,075.92
Judith Basin	1,708	14,341.39
Lake	3,045	25,567.65
Lewis and Clark.....	4,625	38,834.27
Liberty.....	649	5,449.39
Lincoln.....	2,281	19,152.64
McCone.....	1,207	10,134.69
Madison.....	1,748	14,677.26
Meagher.....	549	4,609.74
Mineral.....	519	4,357.84
Missoula.....	5,647	47,415.60
Musselshell	2,688	22,570.06
Park	3,055	25,651.61
Petroleum	690	5,793.66
Phillips.....	2,590	21,747.19
Pondera	1,983	16,650.46
Powder River	1,068	8,967.57
Powell.....	1,519	12,754.44
Prairie	1,342	11,268.24
Ravalli	3,043	25,550.85
Richland.....	3,389	28,456.08
Roosevelt.....	3,425	28,758.35
Rosebud	2,042	17,145.86
Sanders	1,504	12,628.49
Sheridan.....	3,254	27,322.54
Silver Bow.....	13,457	112,993.04
Stillwater.....	2,076	17,431.34
Sweet Grass.....	1,209	10,151.49
Teton	1,806	15,164.26
Toole.....	1,456	12,225.45
Treasure.....	557	4,676.91
Valley.....	3,554	29,841.51
Wheatland.....	1,242	10,428.58
Wibaux.....	1,025	8,606.51
Yellowstone.....	9,074	76,190.75
Totals.....	154,458	\$1,296,922.04

TABLE No. XXVII
THE 1928 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of the apportionment. The rate was 7.70509 per child.

County	No. of Census Children	Amount Apportioned
Beaverhead.....	1,469	\$ 11,318.77
Big Horn.....	2,783	21,443.26
Blaine.....	2,294	17,675.48
Broadwater.....	739	5,694.06
Carbon.....	4,747	36,576.06
Carter.....	1,190	9,169.06
Cascade.....	10,486	80,795.55
Chouteau.....	2,440	18,800.42
Custer.....	2,922	22,514.28
Daniels.....	1,850	14,254.42
Dawson.....	2,707	20,857.68
Deer Lodge.....	4,167	32,107.11
Fallon.....	1,419	10,933.52
Fergus.....	5,368	41,360.93
Flathead.....	5,500	42,378.00
Gallatin.....	4,877	37,577.72
Garfield.....	1,253	9,654.48
Glacier.....	1,700	13,098.65
Golden Valley.....	695	5,355.01
Granite.....	787	6,063.90
Hill.....	3,630	27,969.48
Jefferson.....	1,153	8,883.97
Judith Basin.....	1,694	13,052.42
Lake.....	3,947	23,477.11
Lewis and Clark.....	4,517	34,803.89
Liberty.....	647	4,985.19
Lincoln.....	2,140	16,488.89
McCone.....	1,196	9,215.29
Madison.....	1,684	12,975.37
Meagher.....	563	4,337.97
Mineral.....	492	3,790.90
Missoula.....	5,553	42,786.36
Musselshell.....	2,566	19,771.26
Park.....	2,971	22,891.83
Petroleum.....	645	4,969.78
Phillips.....	2,547	19,624.86
Pondera.....	1,852	14,269.83
Powder River.....	1,062	8,182.81
Powell.....	1,458	11,234.02
Prairie.....	1,265	9,746.93
Ravalli.....	3,033	23,369.54
Richland.....	3,157	24,324.97
Roosevelt.....	3,415	26,312.89
Rosebud.....	1,970	15,179.03
Sanders.....	1,464	11,280.25
Sheridan.....	3,409	26,266.66
Silver Bow.....	13,771	106,129.91
Stillwater.....	2,107	16,234.63
Sweet Grass.....	1,171	9,022.66
Teton.....	1,863	14,354.58
Toole.....	1,588	12,235.68
Treasure.....	484	3,729.26
Valley.....	3,603	27,761.44
Wheatland.....	1,159	8,930.20
Wibaux.....	952	7,335.24
Yellowstone.....	8,895	68,536.76
Totals.....	152,119	\$1,172,090.55

TABLE No. XXVIII.
THE 1929 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of the apportionment. The rate was \$8.0753264 per child.

County	No. of Census Children	Amount Apportioned
Beaverhead.....	1,559	\$ 12,589.43
Big Horn.....	2,836	22,901.63
Blaine.....	2,479	20,018.73
Broadwater.....	787	6,355.28
Carbon.....	4,642	37,485.67
Carter.....	1,189	9,601.56
Cascade.....	11,089	89,547.29
Chouteau.....	2,570	20,753.59
Custer.....	3,048	24,613.59
Daniels.....	1,968	15,892.24
Dawson.....	2,861	23,103.51
Deer Lodge.....	4,425	35,733.32
Fallon.....	1,472	11,886.88
Fergus.....	5,350	43,203.00
Flathead.....	5,691	45,956.68
Gallatin.....	4,957	40,029.39
Garfield.....	1,300	10,497.92
Glacier.....	1,852	14,955.50
Golden Valley.....	758	6,121.10
Granite.....	822	6,637.92
Hill.....	3,870	31,251.51
Jefferson.....	1,137	9,181.65
Judith Basin.....	1,697	13,703.83
Lake.....	3,287	26,543.60
Lewis and Clark.....	4,569	36,896.17
Liberty.....	700	5,652.73
Lincoln.....	2,074	16,748.23
McCone.....	1,328	10,724.03
Madison.....	1,722	13,905.71
Meagher.....	570	4,602.94
Mineral.....	481	3,884.23
Missonla.....	5,822	47,014.55
Musselshell.....	2,687	21,698.40
Park.....	3,034	24,500.54
Petroleum.....	650	5,248.96
Phillips.....	2,646	21,367.31
Pondera.....	2,189	17,676.89
Powder River.....	1,133	9,149.35
Powell.....	1,492	12,048.39
Prairie.....	1,334	10,772.49
Ravalli.....	3,095	24,993.14
Richland.....	3,253	26,269.04
Roosevelt.....	3,702	29,894.86
Rosebud.....	2,141	17,289.27
Sanders.....	1,439	11,620.39
Sheridan.....	3,452	27,876.03
Silver Bow.....	14,262	115,170.31
Stillwater.....	2,036	16,441.37
Sweet Grass.....	1,180	9,528.89
Teton.....	1,979	15,981.07
Toole.....	1,615	13,041.65
Treasure.....	481	3,884.23
Valley.....	3,868	31,235.36
Wheatland.....	1,151	9,294.70
Wibaux.....	952	7,687.71
Yellowstone.....	9,064	73,194.76
Totals.....	157,747	\$1,273,858.52

TABLE No. XXIX
THE 1930 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of apportionment. The rate was \$8.4280915 per child.

County	No. of Census Children	Amount Apportioned
Beaverhead	1,520	\$ 12,810.70
Big Horn	2,763	23,286.82
Blaine	2,623	22,106.88
Broadwater	783	6,599.20
Carbon	4,422	37,269.02
Carter	1,244	10,484.55
Cascade	11,760	99,114.35
Chouteau	2,611	22,005.75
Custer	3,218	27,121.60
Daniels	1,982	16,704.48
Dawson	3,034	25,570.83
Deer Lodge	4,525	38,137.11
Fallon	1,526	12,861.27
Fergus	5,162	43,505.81
Flathead	5,883	49,582.46
Gallatin	5,160	43,488.95
Garfield	1,355	11,420.06
Glacier	1,882	15,861.67
Golden Valley	732	6,169.36
Granite	804	6,776.18
Hill	4,063	34,243.31
Jefferson	1,110	9,355.18
Judith Basin	1,660	13,990.63
Lake	3,411	28,748.22
Lewis and Clark	4,617	38,912.50
Liberty	746	6,287.36
Lincoln	2,116	17,833.81
McCone	1,499	12,633.70
Madison	1,672	14,091.77
Meagher	551	4,669.16
Mineral	446	3,758.93
Missoula	5,865	49,430.76
Musselshell	2,559	21,567.48
Park	2,948	24,846.01
Petroleum	624	5,259.13
Phillips	2,693	22,696.85
Pondera	2,171	18,297.38
Powder River	1,144	9,641.74
Powell	1,548	13,046.68
Prairie	1,326	11,175.65
Ravalli	3,072	25,891.10
Richland	3,280	27,644.14
Roosevelt	3,925	33,080.26
Rosebud	2,170	18,288.95
Sanders	1,499	12,633.70
Sheridan	3,451	29,085.34
Silver Bow	14,858	125,224.58
Stillwater	1,989	16,763.47
Sweet Grass	1,175	9,903.00
Teton	1,990	16,771.90
Toole	1,662	14,007.49
Treasure	503	4,239.33
Valley	3,991	33,636.51
Wheatland	1,169	9,852.44
Wibaux	964	8,124.68
Yellowstone	9,387	79,114.57
Totals	160,816	\$1,355,624.82

This is the largest apportionment ever made of earnings from these sources.

TABLE No. XXX.
THE 1931 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of the apportionment. The rate was \$6.75629443 per child.

County	No. of Census Children	Amount Apportioned
Beaverhead.....	1,546	\$ 10,445.23
Big Horn	2,813	19,005.46
Blaine.....	2,826	19,093.29
Broadwater.....	756	5,107.76
Carbon	4,319	29,180.44
Carter.....	1,258	8,499.42
Cascade	11,325	76,515.03
Chouteau	2,634	17,796.08
Custer.....	3,369	22,761.96
Daniels	1,951	13,181.53
Dawson	2,987	20,181.05
Deer Lodge	4,353	29,410.15
Fallon.....	1,596	10,783.05
Fergus.....	4,942	33,389.60
Flathead.....	6,072	41,024.22
Gallatin	5,181	35,004.36
Garfield.....	1,353	9,141.27
Glacier	1,908	12,891.01
Golden Valley	703	4,749.67
Granite.....	802	5,418.55
Hill	4,113	27,788.64
Jefferson	1,062	7,175.18
Judith Basin	1,591	10,749.26
Lake	3,747	25,315.84
Lewis and Clark	4,680	31,619.46
Liberty.....	736	4,972.63
Lincoln.....	2,043	13,803.11
McCone.....	1,580	10,674.95
Madison.....	1,700	11,485.70
Meagher.....	559	3,776.77
Mineral.....	474	3,202.48
Missoula.....	6,014	40,632.35
Musselshell	2,472	16,701.56
Park	2,891	19,532.45
Petroleum	599	4,047.02
Phillips.....	2,582	17,444.75
Pondera	2,174	14,688.18
Powder River	1,189	8,033.23
Powell.....	1,478	9,985.80
Prairie	1,315	8,884.53
Ravalli	3,223	21,775.54
Richland.....	3,447	23,288.95
Roosevelt.....	4,143	27,991.33
Rosebud.....	2,254	15,228.69
Sanders	1,424	9,620.96
Sheridan.....	3,415	23,072.75
Silver Bow.....	14,128	95,452.92
Stillwater.....	1,980	13,377.46
Sweet Grass.....	1,158	7,823.79
Teton	1,979	13,370.71
Toole	1,755	11,857.30
Treasure.....	506	3,418.68
Valley.....	3,902	26,363.06
Wheatland.....	1,148	7,756.23
Wibaux.....	971	6,560.36
Yellowstone.....	9,710	65,603.62
Totals.....	160,836	\$1,086,655.37

TABLE No. XXXI
THE 1932 APPORTIONMENT BY COUNTIES

This table shows the number of census children in each county, and the amount of the apportionment. The rate was \$5.17288638 per child.

County	No. of Census Children	Amount Apportioned
Beaverhead.....	1,594	\$ 8,245.58
Big Horn	2,934	15,177.25
Blaine.....	2,839	14,685.82
Broadwater.....	786	4,065.89
Carbon.....	4,133	22,931.41
Carter.....	1,279	6,616.12
Cascade	11,302	58,463.96
Chouteau	2,551	13,196.03
Custer.....	3,228	16,698.08
Daniels.....	1,856	9,600.88
Dawson	2,935	15,182.42
Deer Lodge	3,879	20,065.63
Fallon.....	1,610	8,328.35
Fergus	5,007	25,900.61
Flathead	6,224	32,196.04
Gallatin	5,271	27,266.28
Garfield	1,329	6,874.77
Glacier	2,022	10,459.58
Golden Valley	676	3,496.87
Granite.....	829	4,288.32
Hill	3,945	20,407.04
Jefferson.....	1,062	5,493.60
Judith Basin	1,504	7,780.02
Lake	3,956	20,463.94
Lewis and Clark.....	4,836	25,016.08
Liberty.....	747	3,864.15
Lincoln.....	2,111	10,919.96
McCone	1,564	8,090.39
Madison	1,689	8,737.00
Meagher	548	2,834.74
Mineral	473	2,446.78
Missoula	6,053	31,311.48
Musselshell.....	2,407	12,451.14
Park	3,069	15,875.59
Petroleum	577	2,984.76
Phillips.....	2,661	13,765.05
Pondera	2,223	11,499.33
Powder River	1,208	6,248.85
Powell.....	1,587	8,209.37
Prairie.....	1,324	6,848.90
Ravalli.....	3,199	16,548.06
Richland.....	3,539	18,306.84
Roosevelt.....	4,248	21,974.42
Rosebud	2,216	11,463.12
Sanders.....	1,521	7,867.96
Sheridan.....	3,403	17,603.33
Silver Bow.....	13,692	70,827.16
Stillwater	1,967	10,175.07
Sweet Grass	1,100	5,690.18
Teton	1,912	9,890.56
Toole.....	1,710	8,845.61
Treasure	530	2,741.63
Valley.....	3,853	19,931.13
Wheatland.....	1,158	5,990.20
Wibaux	971	5,022.87
Yellowstone.....	10,225	52,892.76
Totals	161,372	\$ 834,759.02

LEGISLATION RELATING TO THIS DEPARTMENT STATE AND NATIONAL PAST AND PROSPECTIVE

A private corporation is governed by its articles of incorporation, its by-laws and the policies evolved by its officers. While a private corporation is subject to the law of the land, its activities are not by any means so closely regulated by statutes as the operations of a branch of the State government, for instance, this department. This department, like other agencies of the State government, is created by the constitution and statutes enacted in pursuance of the general constitutional provisions: through legislation it receives its life and its power to function, and at the same time legislation furnishes the form and mold within which this power must be exercised. The history of the legislation that has created this department and shaped its activities is therefore a history of the department itself.

Originates in the Constitution and the Enabling Act

The State Board of Land Commissioners is the governing board of this department, and this board is created by Section 4 of Article XI of the State Constitution, reading as follows:

"Sec. 4. The governor, superintendent of public instruction, secretary of state and attorney general shall constitute the state board of land commissioners, which shall have the direction, control, leasing and sale of the school lands of the state, and the lands granted or which may hereafter be granted for the support and benefit of the various state educational institutions, under such regulations and restrictions as may be prescribed by law."

The same article of the Constitution contains various provisions in regard to the public school fund, the funds for the state university and other state institutions. These funds are declared to be "inviolable, guaranteed by the state against loss or diversion".

Article XVII of the Constitution deals exclusively with the school lands and other public lands of the State and does among other things lay down the following wholesome provision for the disposition of such lands:

" * * * and none of such land, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, be paid or safely secured to the state."

The seventh paragraph of Ordinance No. 1 of the Constitution specifically accepts the several grants of land from the United States to the State of Montana "upon the terms and conditions therein provided". As these lands were given to the State through the provisions of the Enabling Act and were accepted upon the terms and conditions of this

granting act, it is evident that the Enabling Act itself is the fundamental law governing the administration of the lands of the State and of the funds arising from their sale and other disposition.

One of the most significant provisions of the Enabling Act (Act approved February 22, 1889—25 Stat. 676) is found in Section 11 of the act and reads in part as follows:

"All lands herein granted for educational purposes shall be disposed of only at public sale, and at a price not less than \$10.00 per acre, the proceeds to constitute a permanent school fund, the interest of which only shall be expended in the support of said schools."

While this section of the Enabling Act has been amended through Act of Congress approved May 7, 1932, its fundamental purpose has by no means been altered.

STATE LEGISLATION

Legislation of 1909

Based on the fundamental provisions of the Enabling Act and the Constitution of the State, ratified by the people October 1, 1889, numerous statutes have been enacted governing "the State Land Office". The first complete code of laws governing its administration is found in Chapter 147 of the Laws of 1909 and went into effect by the approval of the Governor March 19 of that year. It is a great, constructive measure in close accord with the letter and spirit of the Constitution and the Enabling Act; and its 107 sections regulate in considerable detail the administration of the lands of the State and the proceeds from their sale and other disposition.

One of its most constructive provisions is found in Section 31 (Section 1852 of the 1921 Codes) reserving "all coal, oil and gas" from sale. Eventually this wise and far sighted plan will bring millions to the school funds of the State of Montana. This great code of laws was written by a commission appointed by Governor Norris consisting of the Honorable Lew. L. Callaway, our present Chief Justice of the Supreme Court, the Honorable David Hilger, our present Librarian of the State Historical Society, and the Honorable Rudolph Von Tobel, then and now a prominent member of the bar residing at Lewistown. Irrespective of their other services to the State, this code of laws alone should insure for their names a safe place in Montana's history. It remained the main body of laws governing the State Land Office until July 1, 1927.

Farm Loan Legislation of 1917

Chapter 124 of the 1917 Session Laws provides among other things for investing part of the public school permanent fund and of all other permanent state educational, charitable and penal institution funds in farm mortgages. More than four and one half million dollars were invested under this act and amendments thereto, and more than four and one quarter million dollars of these investments remain unpaid to the

present time. It has proved deplorable and almost disastrous in its operation. It is discussed at length under Table XIII, and also on page 79 under the heading "New Legislation Needed".

Amendment to Section 5 of Article XI of the State Constitution

As a member of the Legislative Assembly in 1919, the present Commissioner of State Lands and Investments commenced a study of legislation governing the administration of State lands and the funds arising therefrom. Coming to the conclusion that Section 5 of Article XI of the Constitution did not protect the public school funds as fully as it should, he prepared and introduced an amendment to this part of the Constitution which was passed by the Legislative Assembly, approved by the electors of the state at the general election November 2, 1920, and became a part of the Constitution under the Governor's proclamation December 6, 1920. This amendment is accomplishing three distinct objects:

1. The public school funds in the State Treasury now receive their proportionate share of the interest on bank deposits of which they form a part. Prior to this amendment all such interest became part of the State General Fund. During the last six fiscal years this interest credited to the public school income fund has amounted to \$142,899.56, or an average of \$23,816.59 per annum. Figures for prior years are not available; but assuming that the average was the same, this interest has amounted to \$273,890.78 from January 1, 1921, to June 30, 1932.

2. By providing that 95 per cent of all income shall be apportioned annually to the school districts of the State and providing that the remaining 5 per cent shall annually be added to the public school permanent fund itself, it makes it legally impossible to defray the operating expenses of the State Land Office from the school income. This had been done from the beginning of statehood and up to the time that this amendment went into effect. The report of the Register of State Lands for the two year period terminating June 30, 1924, tabulates the State Land Office expenses paid from interest and income funds from 1894 to December 31, 1920, and gives the total as \$892,468.54. Whether or not these operating expenses could lawfully be paid from the income funds before this amendment to the Constitution went into effect is an undecided question. It was in full accord with the statutes then in effect. This constitutional amendment represents a more liberal attitude to the schools of the state and results in substantially increased income for the schools from the State Land Office.

3. The provision for adding 5 per cent of the annual income to the permanent fund itself is an added protection to this important fund and will insure its perpetual growth. From the time that the amendment went into effect and up to June 30, 1932, it has added to the public school permanent fund \$610,792.32.

Legislation of 1923

As a member of the State Legislature in 1923, the present Commissioner introduced and pushed along additional legislation relating to

the administration of State lands and the funds arising from their sale. Four separate bills were introduced by him all of which met with the approval of the assembly. Three of these measures are embodied in Chapters 6, 10 and 38 of the 1923 Session Laws and make the amortization plan applicable in the payment of the purchase price for State lands and in the investment of the permanent funds in amortization securities. The fourth measure was another amendment to the State Constitution.

Amortization Plan Applied to State Lands

Chapter 10 provides for the payment of State lands through an amortization period not exceeding thirty-five years, and it also provides for the conversion of certificates of purchase of State lands previously issued and outstanding into such amortization certificates. The amortization plan of payment has long been known and applied in the payment of farm mortgages and long time land purchase contracts in Europe. When the large estates held by English noblemen in Ireland were sold to the tenants these sales were made on the amortization plan. It was introduced into this country in an extensive way through Federal Farm Loans which are all payable on the straight amortization plan. The plan has the great advantage of allowing the gradual repayment of the indebtedness through small annual or semi-annual installments thus obviating the necessity of accumulating large funds for the repayment of the full amount at the time of maturity. It also has this advantage that the payments remain even in amount throughout the entire repayment period; the amount paid as interest added to the amount applied on the principal on each payment date remains the same. Take for instance a State land purchase contract in the sum of \$1,000.00, drawing 5 per cent interest and payable semi-annually during 33 years. The semi-annual payment required is \$62.50 throughout with the exception of a slight variation in the very last payment.

The saving in interest under this plan is very conspicuous. At 5 per cent interest per annum the interest on \$1,000.00, payable at the end of 33 years, would be \$1,650.00. The actual interest at the same rate on this amount payable on the amortization plan through the 33 years comes to only \$1,062.17, representing a saving of \$587.83 through the application of the amortization principle.

This plan has been found particularly helpful in the State Land Office in converting outstanding delinquent sales contracts into amortization contracts. Up to June 30, 1932, more than 2,350 contracts had been converted into amortization contracts.

Amortization Plan Applied to Investments

Chapter 6 of the 1923 Session Laws provides that when the permanent funds of the Land Department are invested in bonds issued within this state or in farm mortgages these securities shall be payable on the amortization plan. The same chapter also provides that bonds and farm mortgages held by the State may be converted into amortization bonds and mortgages. Both these plans have been carried out to the fullest possible extent and with unqualified success.

Chapter 38 of the same Session Laws requires that all bonds thereafter issued by any county, city, town, school district or other taxing unit in the State of Montana must be issued either as serial bonds or as amortization bonds. Both plans involve the gradual retirement of the indebtedness during the term for which the money was borrowed. It will be noted that this legislation dovetails into the legislation prescribing the kind of securities in which the permanent funds of the State may be invested.

Results of the Plan

It is believed that this legislation marks a turning point with regard to public indebtedness throughout the State of Montana. The following tabulation gives the total net indebtedness of the various subdivisions of the State on June 30, 1923, and on June 30, 1932, and shows a marked decrease. These figures have been obtained from the State Board of Equalization and do not include drainage, irrigation and special improvement district indebtedness.

	June 30, 1923	June 30, 1932	Decrease
Counties	\$27,708,650.00	\$14,859,016.00	\$12,849,634.00
Cities and Towns	10,480,320.00	8,971,122.00	1,509,198.00
School Districts	11,625,169.00	8,966,933.00	2,658,236.00
Totals	\$49,814,139.00	\$32,797,071.00	\$17,017,068.00

At the same session of the State Legislature and at subsequent sessions other legislation, entirely disconnected with the State Land Office, was enacted making more stringent requirements for the accumulation of sinking funds to pay bonded indebtedness, and later on budget laws were enacted requiring better planning in the expenditure of public funds. All of this legislation has had a great deal to do with reducing public indebtedness throughout the state, but the legislation requiring bonds to be issued as amortization bonds or as serial bonds is fundamental and has had its full share in reducing public indebtedness. It has proved so sound, workable and helpful that it is likely to endure as a part of the public finance system of the State of Montana.

The Montana Trust and Legacy Fund

The fourth measure relating to the State Land Office passed by the Legislative Assembly in 1923 is embodied in Chapter 21 of the Constitution of the State. It provides for the so-called Montana Trust and Legacy Fund under which any number of separate trust funds may be administered by the State Board of Land Commissioners as one common fund. This measure is explained somewhat at length under the heading "The Montana Trust and Legacy Fund" page 55 of this report.

1925 Legislation

In 1925 the State Legislature enacted a law "to create state forests, to provide for their use, management, control and disposition", Chapter 179, 1925 Session Laws. According to the intent of this act, timber lands

are not subject to sale but only the timber itself, and by proper management successive crops of timber may be grown and harvested from the same land thus making the timber lands of the State a source of constant additions to the school funds of the State. This legislation originated in the State Forester's office and carries into effect the latest scientific methods of forest management.

1927 Legislation

New Code for the Department of State Lands and Investments

On September 21, 1926, Governor J. E. Erickson recommended to the State Board of Land Commissioners that the statutes relating to the State Land Office be revised and codified in order to meet the many changes that had taken place in the state since 1909 when the main body of these statutes was enacted. Pursuant to this recommendation the present Commissioner of State Lands and Investments then holding the office under the title of "Register of State Lands" prepared a draft of proposed legislation revising practically all the statutes relating to the State Land Office except the laws relating to the State Forester and State Forest lands, and including a great number of new statutes on the subject. After having been carefully examined by Frank Woody and Edmond G. Toomey, Helena attorneys, and many changes made, the proposed legislation was placed before the Twentieth Legislative Assembly in pamphlet form containing 176 sections and recommended by the Governor in his message. The 1928 report of this department gives the following account of the enactment of this legislation:

"Careful Consideration by the Legislature

"The Committee on State Lands in the Senate and the same committee of the House commenced joint hearings on this proposed legislation from the beginning of the session and continued these hearings for several weeks. The committee eliminated from the bill all provisions relating to new investments in farm mortgages; the discouraging experience of the State with the farm loans already made was not conducive to the adoption of any new plan for making such loans. The provisions for leasing State lands for oil and gas exploration and development were segregated from the bill by the House, but subsequently its main features were incorporated in a separate measure. The House eliminated all provisions for public leasing of State lands at county seats, and this was the most serious accident that happened to the measure, as some system of this kind is urgently needed.

"The remainder of the proposed legislation, amended to some extent, was enacted into law as Chapter 60 of the 1927 Session Laws. The committees having this measure in charge did a great deal of painstaking work on the proposed legislation; many of the members on these committees deserve special mention for their meritorious work, but especially Senator James Griffin of Blaine county, Representative Albert Holton of Garfield county, and Representative Dennis A. Dellwo of Lake county. If it were not for the strong, enthusiastic and unselfish support of these three men, it is not likely that this great measure of constructive legislation would have been enacted into law. It is undoubtedly one of the outstanding achievements of the Twentieth Legislative Assembly.

"Reorganizes and Unifies the Department"

"This act reorganizes the State Land Office under the name of 'The Department of State Lands and Investments,' and places the responsibility for its administration on the Commissioner acting under the State Board of Land Commissioners. Probably this unification of the department is the most valuable feature of the measure. Previous to the enactment of this legislation the Governor appointed the Register of State Lands, the Deputy Register of State Lands and the State Land Agent; under the new legislation the Governor appoints the Commissioner by and with the consent of the Senate, and the Commissioner appoints the other officers. On account of the perfect harmony now prevailing among the various officers of the department, this unification is not of any special importance at the present time, but it can readily be seen that it is of far-reaching importance for the efficient administration of the office in future years; organization is the foundation of modern business."

This legislation has now been in full force and effect for five years and it has stood the test of time; it works well.

Oil and Gas Legislation of 1927

The 1927 Session of the State Legislature also enacted legislation governing the leasing of State lands for oil and gas exploration and development. As already indicated the main features of this legislation were taken from the general legislation proposed for the State Land Department. However, numerous amendments were made. As far as our State is concerned this covers a new field of legislation as there was only one single statute directly dealing with oil and gas leases on State lands prior to that time and this was the general provision found in Section 1882 of the 1921 Codes. More detailed information in regard to this legislation is found under Table No. XV, Oil and Gas Leases.

Generally speaking this new legislation has worked well. Experience has demonstrated that the oil operators find it acceptable and workable, and at the same time it protects the interests of the State in accordance with the spirit and intent of the Constitution.

Chapter 147, 1927 Session Laws, School District Bonds

As this department now purchases nearly all the school district bonds issued throughout the state, legislation governing the issuance and payment of such bonds is of direct interest. Before the session of the State Legislature in 1927, the statutes on this subject had become so complicated through amendments and amendments to the amendments that it caused a great deal of unnecessary trouble to school districts issuing bonds.

With the approval and encouragement of Governor Erickson, this department prepared a proposed bill revising nearly all the statutes on this subject and after long and careful consideration the Legislature enacted it into law as Chapter 147. It prescribes in a simple and orderly manner the complete proceedings for the issuance of the various kinds

of school district bonds. It is in full accord with Chapter 38 of the 1923 Session Laws already discussed in this account of legislation requiring such bonds to be issued as amortization bonds or serial bonds. It carries this plan out in full detail.

This legislation has now been tested through five years of actual use and has been found highly satisfactory.

1929 Legislation

The 1929 Session of the State Legislature enacted into law legislation formulated and proposed by this department designed to carry into effect more fully the provisions of Article XXI of the Constitution of the State governing the Montana Trust and Legacy Fund—Chapter 70, Laws of 1929. The operation of the plan embodied in this legislation has already been somewhat fully discussed under the heading "The Montana Trust and Legacy Fund," page 55 of this report.

This session of the Legislature also enacted a brief statute suggested by this department permitting school districts, towns, cities and counties to redeem one or more of their bonds held by the State at any time before maturity. This liberal provision has proved very helpful in cases where a school district or other public corporation has had funds available for the redemption of their bonds before the same became optional or due—Chapter 3, Laws of 1929.

1931 Legislation

With the acts passed in 1931, Montana's legislation dealing with bonding proceedings may be regarded as complete. This department had prepared a complete revision of the statutes governing county bond issues following very closely the 1927 statutes governing the issuance of school district bonds. Another bill was prepared by Frank Woody, Attorney at Law of Helena, following the same lines and dealing with bond issues by incorporated cities and towns. Both these measures were enacted into law. The city and town bonding legislation is found in Chapter 160 and the county bonding legislation in Chapter 188. Each chapter is practically a complete code in itself, repealing the bulk of former legislation on the subject with which it deals.

This legislation was not prepared and enacted in order to encourage bond issues, but for the purpose of providing a simple and orderly method for the issuance of such bonds when the electors so decide; to insure the fullest publicity for bonding proceedings, and to provide for the systematic repayment of the money borrowed through the complete application of the amortization principle.

This department is interested in legislation of this kind for several reasons. We are constantly called upon for information and advice in regard to bonding proceedings, and it is therefore desirable that we have a well developed plan to follow. The counties, cities and towns throughout the state are customers of this department and it is to our interest

to aid in keeping their finances in a sound condition. As this department is a heavy investor in the bonds issued, it is of the utmost importance that they are issued on a plan which insures the payment of interest, and the repayment of principal without fail. The funds invested are trust funds guaranteed by the Constitution against loss or diversion.

It is believed that both from the standpoint of the borrower and from the standpoint of the safety and regularity of the repayment of the money borrowed, the bonding system now embodied in the laws of the State of Montana is the best in the land. The figures given on page 74 showing the reduction in bonded indebtedness throughout our state furnishes a strong recommendation of the system.

Power Sites on State Lands Reserved From Sale Chapter 123, Laws of 1931

Under the heading "Power Sites on State Lands", page 30 of this report, the story is told of how the State has now obtained full title to certain water power sites on State lands in western Montana. As these power sites form a part of the lands granted to the State of Montana for the perpetual benefit of its schools and institutions of learning, and as the demand for the development of these power sites is likely to be far more urgent in the future than at the present time, it seems highly fitting and proper that these power sites should be reserved from sale and provision made for their development under some form of a leasing system. This is also in accord with the Federal power development policy.

Acting on this theory, a proposed bill was prepared in this department and submitted to the Legislative Assembly. With a few amendments this bill was enacted into law. Sections 1 and 2 furnish a good indication of the trend of the whole act and read as follows:

"Section 1. Power Site Defined. The words, 'power site', as used in this Act shall mean not only the State owned land on which the dam is constructed, but also each separate tract of such land which will become part of the reservoir and which in and of itself makes an essential contribution to the value of the power site as a whole of not less than five (5%) per cent of the entire value of such power site.

"Section 2. It shall be unlawful to sell or advertise for sale state lands constituting power sites or part of power sites capable of developing hydro-electric energy in commercial quantities; but the State Board of Land Commissioners is hereby granted power and authority to issue lease or license to any person, corporation or municipality for the development of such power sites and the distribution, use and disposition of the electric energy generated thereon, as herein more specifically provided."

The remainder of the act provides the details for the issuance of lease or license and for joint development with the United States where the lands constituting the power site are part of a larger power site owned and controlled by the United States.

The last part of Section 5 contains some significant provisions with regard to the amortization of the invested capital and reads as follows:

"If the state lands constitute a separate power site wholly owned by the State and independently developed, the lease or license issued by the state may provide for the amortization of the capital invested in the dam, machinery, equipment and appurtenant works, not including the distribution system, so that ultimately the state will become the owner of the power site including the dam, machinery, equipment and appurtenant works, not including the distribution system."

Exchange of State Owned Timber Lands for Other Lands

Chapter 180, Laws of 1931

State Forester Rutledge Parker has worked out a plan under which State owned timber lands may be exchanged for privately owned timber lands in order to consolidate the holdings of the State into more compact bodies. He presented his plan to the State Legislature and with some changes it was enacted into law. The exchange is to be conducted through the State Forester's office but the final exchange must be made through the State Board of Land Commissioners upon proper hearing. Notice of this hearing must be published in some newspaper in the county or counties where the land is located. The act itself provides that it shall not take effect until the Congress of the United States has enacted legislation authorizing such exchanges. The amendment to the Enabling Act approved by the President May 7, 1932, and printed on the inside of the front cover of this report, embodies the required legislation on the part of the United States.

The enactment of this constructive legislation, planned by the State Forester, is likely to be of far reaching benefit as the consolidation of State owned lands, particularly timber lands, into suitable units will substantially increase their value.

Legislation Discussed Does Not Include Minor Measures

The foregoing discussion of legislation enacted is intended to include all the more important measures; but numerous amendments regarded as being of less permanent value have been omitted for the sake of brevity.

NEW LEGISLATION NEEDED

State Farm Loans Plan of Repayment to the School Fund

The introductory letter to this report addressed to Governor J. E. Erickson makes reference to the condition of the State Farm Loans and urges the enactment of legislation acknowledging the State's indebtedness to the Public School Permanent Fund, and making provision for its repayment. Table No. XIII shows the condition of these farm loans in detail and additional information follows this table. The report of this department in 1928 and in 1930 proposes a plan designed to bring this about, and this plan is here repeated practically in the same language. It proposes that the State shall acknowledge itself indebted for the exact

amount invested in State Farm Loans and remaining unpaid. It further proposes that the State itself shall take over the farm loans, all the lands to which the State has taken title under these loans, and all rights and equities whatsoever arising in connection therewith. It is proposed that the State shall pay interest on the amount invested in such loans at the rate of $4\frac{1}{2}$ per cent per annum, and both the interest and the principal are to be repaid from the loans and assets taken over by the State as far as that can be done, and as rapidly as the collections will permit. Not less than $2\frac{1}{2}$ per cent of the amount assumed shall be repaid each year. If the State has failed to make the required payments during any two-year period, then the State Legislature shall appropriate an amount equal to the shortage. This should complete the repayment within 40 years.

Legal Assumption Involved

The proposed bill assumes that under the plain provision of Section 3 of Article XI of the Constitution the State is liable for the safe-keeping of the Public School Permanent Fund. The liability for the repayment of the amount invested in farm loans is therefore created by the Constitution itself and not by the proposed act. For these reasons the taking over of the farm loans on the part of the State does not constitute a violation of Section 2 of Article XIII of the Constitution. It cannot be unconstitutional to carry into effect the provisions of the Constitution. **The entire plan rests on this basic assumption; if this assumption is erroneous, the whole measure will fall.**

Simple and Advantageous to Both Parties

The proposed bill insures to the Public School Fund interest at the fixed rate of $4\frac{1}{2}\%$ per annum on the actual investment. Under the present condition of the loans it is often difficult to calculate what part of a collection is interest and what part is principal for the reason that when loans are foreclosed and the lands resold, unpaid interest on the original loan is included in the principal of the thirty-three-year amortization contract. Unless a settlement along the lines proposed is adopted this condition will become more and more complex as the years go by.

It would fix the amount of the loans so permanently that the numerous changes in the various assets representing the loans through foreclosure proceedings, payment of taxes, sales, cancellation of sales contracts and resales would never bring into doubt the actual and exact amount of the investment.

By permitting the State to apply the collections from time to time made on interest and principal it would enable the State to extinguish the principal just as fast and just as slow as the collections permitted. Probably no better repayment plan could be devised for the State.

By providing for an appropriation to take up any shortage in payments every two years, the eventual repayment may be assured. And on account of the constant investments now being made from the public school permanent fund, these irregular repayments on principal would not be detrimental to the fund itself.

Taken as a whole it is thought that the proposed bill embodies a simple, honest and workable plan of settlement. It should also give to the officers and people of the State the satisfaction of knowing that they have endeavored to discharge with fidelity the sacred trust assumed by them of safekeeping the Public School Permanent Fund.

Reservation of Oil and Gas in "Mortgage Lands"

The term "mortgage lands" applies to lands to which the State has found it necessary to take title in connection with its farm loan business. When Chapter 60 of the 1927 Session Laws was written it reserved from sale coal, oil and gas and other minerals in State lands including mortgage lands (Section 65). In the case of mortgage lands, however, the purchaser of the land was entitled to receive a royalty of one per cent on all oil and gas produced, the royalty to be paid directly to him by the producer. The additional exception was also made that if the land was repurchased by the original mortgagor or any one claiming under him through the redemption period, then the oil and gas reservations would not apply; all rights that passed with the land from the mortgagor to the State went back to the purchaser. But in 1929 the Legislature so amended this section that no mineral reservations whatever applied to mortgage lands, no matter who became the purchaser—Chapter 28. Coal, oil and gas would thus be sold outright together with the land in which it was found. It is believed that this is bad legislation. It is likely that the State will suffer considerable losses in connection with its farm loan business and every reasonable means should be used for keeping these losses down as low as possible. The discovery of oil or gas in large quantities in one single tract of mortgage land might do considerable towards reimbursing the State for its losses. This would benefit all the taxpayers of the State. It is therefore recommended that this section be re-amended approximately to its original form.

Proposed Amendment of Section 2, Article XVII of the State Constitution

Under the provisions of this section of the Constitution as it now stands, all State lands within the limits of any town or city, or within three miles of such limits, **"shall be sold in alternate lots of not more than five acres each."** The Supreme Court of the State has defined the meaning of the words "town or city" as here used, and under this definition it appears that any platted townsite with a post office and a few places of business and residences constitutes a town or city.

Considering the great number of such towns or cities now found within the boundaries of the state, it will readily be seen that these provisions for selling all State lands within three miles of their limits in alternate lots of not more than five acres each, constitute a serious difficulty in the sale of lands. At the present time the effect of these provisions is directly opposite to what was intended. It deters people from bidding on lands so situated. These provisions of the Constitution should therefore be repealed.

Being that an amendment is necessary, it may also be the part of wisdom to embody in the proposed amendment such other pertinent

changes relating to State lands as experience and development subsequent to the enactment of the Constitution appear to recommend.

The reports of this department for 1928 and 1930 contained practically the same recommendation. Bills were introduced in the State Legislature and seemed to meet with general approval; but were sidetracked in the Committee on Constitutional Amendments to give way for other amendments which seemed more important. It may be mentioned that the legislature agreed upon only one constitutional amendment in 1929 and only on two in 1931. As three may be submitted there would have been place for this amendment which had practically no opposition.

Other State Legislation Needed

Section 11 of the Enabling Act fixes a minimum sales price of \$10.00 per acre on all lands "granted for educational purposes" and it also limits the quantity of land that may be leased to "one person or company" to one section. Through the recent amendment to the Enabling Act discussed in various parts of this report, grazing lands may be sold at a minimum sales price of \$5.00 per acre and the restriction on the quantity of land that may be leased to one person has been eliminated. Assuming that this amendment is approved and ratified by the legislative assembly corresponding changes must be made in the statutes governing the leasing and sale of State lands.

There are a number of other points in the administration of State lands not adequately covered by present statutes.

Federal Legislation

The Enabling Act under which we received our grants of land from the Federal Government specifically exempts mineral lands. Section 18 of the act approved February 22, 1889, 25 Stat. 676, reads as follows:

"That all mineral lands shall be exempted from the grants made by this Act. But if sections sixteen and thirty-six, or any subdivision or portion of any smallest subdivision thereof in any townships shall be found by the department of the interior to be mineral lands, said states are hereby authorized and empowered to select, in legal subdivisions, an equal quantity of other unappropriated lands in said states, in lieu thereof, for the use and benefit of the common schools of said states."

This exemption has resulted in almost endless trouble in obtaining title to our school land grant and in very considerable losses which had to be made up through the selection of other unappropriated lands. As now interpreted, minerals include not only the metalliferous minerals, coal, phosphate, and so forth, but also oil and gas. It should be noted that under the said section it is left entirely to the Department of the Interior to determine whether any of the lands are mineral or not. And there is no limitation as to the time when the Department may find the lands to be mineral. As no provision is made in the granting act for issuing deeds or patents or other evidence of title to the State for the lands granted, the question of the State's title could remain unsettled almost

indefinitely. In a communication from Mr. E. C. Finney, then First Assistant Secretary of the Interior, dated August 11, 1922, the Assistant Secretary makes this statement:

"There is no statute of limitations which prevents inquiry at any time, whether it be 1 year, or 50 years after the grant, as to whether a particular section 16 or 36 was known to be mineral at the date of the grant or of survey. Such cases have arisen very many times in the past and are continually arising."

This bad situation was made desperately bad by the meaning that the Government expressed by the words "known to be mineral". If the geological structure was such as to give strong indication of any mineral, the Government would hold that the land was "known to be mineral" at the time of the survey.

It must be evident from these circumstances that the title to our school land grants has been insecure and in every way unsatisfactory. For these reasons the Northwestern States had through a number of years carried on a continuous struggle endeavoring to secure legislation from Congress that would improve our school land titles. Senate Bill No. 564, signed by the President on January 25th, is the result of this long struggle. The bill in its entirety is as follows:

**Public—No. 570—69th Congress.
(S. 564)**

An Act Confirming in States and Territories Title to Lands
Granted by the United States in the Aid of Common or Public
Schools:

Be It Enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, subject to the provisions of subsections (a), (b), and (c) of this section, the several grants to the States of numbered sections in place for the support or in aid of common or public schools be, and they are hereby, extended to embrace numbered school sections mineral in character, unless land has been granted to and or selected by and certified or approved, to any such State or States as indemnity or in lieu of any land so granted by numbered sections.

(a) That the grant of numbered mineral sections under this Act shall be of the same effect as prior grants for the numbered non-mineral sections, and titles to such numbered mineral sections shall vest in the States at the time and in the manner and be subject to all the rights of adverse parties recognized by existing law in the grants of numbered non-mineral sections.

(b) That the additional grant made by this Act is upon the express condition that all sales, grants, deeds, or patents for any of the lands so granted shall be subject to and contain a reservation to the State of all the coal and other minerals in the lands so sold, granted, deeded or patented, together with the right to prospect for, mine, and remove the same. The coal and other mineral deposits in such lands shall be subject to lease by the State as the State legislature may direct, the proceeds of rentals and royalties therefrom to be utilized for the support or in aid of the common or public schools: **Provided,**

That any lands or minerals disposed of contrary to the provisions of this Act shall be forfeited to the United States by appropriate proceedings instituted by the Attorney General for that purpose in the United States district court for the district in which the property or some part thereof is located.

(c) That any lands included within the limits of existing reservations of or by the United States, or specifically reserved for water-power purposes, or included in any pending suit or proceedings in the courts of the United States, or subject to or included in any valid application, claim, or right initiated or held under any of the existing laws of the United States, unless or until such application, claim, or right is relinquished or cancelled, and all lands in the Territory of Alaska, are excluded from the provisions of this Act.

Sect. 2. That nothing herein contained is intended or shall be held or construed to increase, diminish, or affect the rights of States under grants other than for the support of common or public schools by numbered school sections in place, and this Act shall not apply to indemnity or lieu selections or exchanges or the right hereafter to select indemnity for numbered school sections in place lost to the State under the provisions of this or other Acts, and all existing laws governing such grants and indemnity or lieu selections and exchanges are hereby continued in full force and effect.

Approved, January 25, 1927.

It will be noted that it grants **"numbered school sections mineral in character"** in addition to the non-mineral sections already granted. According to the Secretary of the Interior, the bill affects the school land titles of Arizona, California, Idaho, Montana, Colorado, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming and to some extent the state of Florida.

It appears from the wording of the bill itself that it is regarded as making **an additional grant** to those heretofore made. As the prior grants embraced all the numbered sections **non-mineral** in character, and as this new grant embraces the numbered sections that are **mineral** in character, it is evident that all the school sections "in place" have now been granted to the states, subject only to the provisions stated in the new grant.

This legislation has proved very helpful but on account of all the exceptions enumerated in subsection (c) of Section 1 it does not fully clear up the State's title to Sections 16 and 36. In numerous cases a great number of facts remain to be ascertained and determined. Our title to Sections 16 and 36 will not be entirely satisfactory until we receive patents or deeds from the United States and this is now well under way through a bill pending in Congress printed on pages 88 and 89 of this report.

Amendment to Section 11 of Enabling Act (Act Approved February 22, 1889, 25 Stat. 676)

a. Section 11 as it read prior to amendment approved May 7, 1932:

"That all lands herein granted for educational purposes shall be disposed of only at public sale, and at a price not less than ten dollars per acre, the proceeds to constitute a permanent school

fund, the interest of which only shall be expended in the support of said schools. But said lands may, under such regulations as the legislatures shall prescribe, be leased for periods of not more than five years, in quantities not exceeding one section to any one person or company; and such lands shall not be subject to preemption, homestead entry or any other entry under the land laws of the United States, whether surveyed or unsurveyed, but shall be reserved for school purposes only. *Provided, however, that the State may, upon such terms as it may prescribe, grant such easements or rights in such lands as may be acquired in, to, or over the lands of private properties through proceedings in eminent domain; AND PROVIDED FURTHER, That any of such granted lands found, after title thereto has vested in the State, to be mineral in character, may be leased for a period of not longer than twenty years upon such terms and conditions as the legislature may prescribe."

NOTE: The lines following the asterisk is an amendment introduced by Senator Walsh and approved by the President, August 14, 1921.

b. Section 11 as amended by Act approved May 7, 1932:

**Public—No. 124—72nd Congress
(S. 2396)**

AN ACT

To amend Section 11 of the Act approved February 22, 1889 (25 Stat. 676), relating to the admission into the Union of the States of North Dakota, South Dakota, Montana and Washington.

Be It Enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 11 of the Act approved February 22, 1889 (25 Stat. 676), be, and the same is hereby amended to read as follows:

"That all lands granted by this Act shall be disposed of only at public sale after advertising tillable lands capable of producing agricultural crops for not less than \$10 per acre and lands principally valuable for grazing purposes for not less than \$5.00 per acre. Any of the said lands may be exchanged for other lands, public or private, of equal value and as near as may be of equal area, but if any of the said lands are exchanged with the United States such exchange shall be limited to surveyed, nonmineral, unreserved public lands of the United States within the State.

"The said lands may be leased under such regulations as the legislature may prescribe; but leases for grazing and agricultural purposes shall not be for a term longer than five years; mineral leases, including leases for exploration for oil and gas and the extraction thereof, for a term not longer than twenty years; and leases for development of hydroelectric power for a term not longer than fifty years.

"The State may also, upon such terms as it may prescribe, grant such easements or rights in any of the lands granted by this Act, as may be acquired in privately owned lands through proceedings in eminent domain; Provided, however, that none of such lands, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such

disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the State.

"With the exception of the lands granted for public buildings, the proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted. Rentals on leased lands, interest on deferred payments on lands sold, interest on funds arising from these lands, and all other actual income, shall be available for the maintenance and support of such schools and institutions. Any State may, however, in its discretion, add a portion of the annual income to the permanent funds.

"The lands hereby granted shall not be subject to preemption, homestead entry, or any other entry under the land laws of the United States whether surveyed or unsurveyed, but shall be reserved for the purposes for which they have been granted."

Section 2. Anything in the said Act approved February 22, 1889 inconsistent with the provisions of this Act is hereby repealed.

Approved, May 7, 1932.

c. The changes effected:

1. Section 11 of the original act deals with lands "granted for educational purposes", and the courts have not decided whether this includes all the lands, except the grant for public buildings, or if it applies only to Sections 16 and 36. This leaves in doubt in many respects, the restrictions applying to the lands granted to the State University and the other State institutions. The amendment deals with "all lands granted by this act"—that is the original act—and by so doing it cures this basic defect.

2. By reducing the minimum sales price on grazing lands from \$10.00 to \$5.00 per acre, it will make it possible for the State to dispose of considerable areas of grazing lands. This will bring a better income for our school funds, and will also result in real development of the lands themselves. The person owning the land will feel justified in placing permanent improvements thereon to a far greater extent than if he simply held the lands under lease.

3. The removal of the limitation of 640 acres on the quantity that may be leased to "one person or company" will also prove exceedingly helpful in a great number of cases. Where State lands are so situated that they can be utilized by several stockgrowers or farmers, they should be leased in small areas so as to reach as many lessees as possible; but where lands are so situated that they can be used only by one or a few stockmen, it will be an advantage to be able to lease considerable areas to one party. This removal of the restriction on the quantity of land that may be leased to one person will no doubt also apply to oil and gas leases. Whatever restrictions experience may demonstrate to be wise may now be embodied in the statutes of the State without hampering limitations in the Enabling Act.

4. It will be noted that under this amendment leases for the development of hydroelectric power may be issued for a term not exceeding 50 years. This is in accord with the policy of the Federal government for the leasing of such power sites, and will give support to the legislation already enacted by the State of Montana in Chapter 123 of the 1931 Session Laws providing for the leasing of hydroelectric power sites on State lands.

5. The amendment specifically provides that "any of the said lands may be **exchanged** for other lands, public or private, of equal value and as near as may be of equal area . . . ". As already mentioned, Chapter 180 of the 1931 Session Laws of the State of Montana makes provision for such exchanges of State land, the act to take effect when the Congress of the United States has authorized such exchanges.

6. The amendment gives specific sanction to the Montana idea incorporated in Section 5 of Article II of the Constitution of adding a portion of the annual income to the permanent funds. This was no doubt permissible without an amendment to the Enabling Act, but the specific approval of the idea by the Congress of the United States is encouraging. It should also be borne in mind that this amendment affects not only the State of Montana but also North Dakota, South Dakota and Washington.

While the plan for this amendment originated in this department, it was perfected by Senator T. J. Walsh, and owes its enactment principally to his standing and influence in Congress. The Montana representatives in the House gave it their full support. As Chairman of the Committee on Public Lands, Representative John M. Evans was in a strong position to secure its passage in the House.

Bill Pending in Congress Authorizing the Secretary of the Interior to Issue Patents to Numbered School Sections in Place

While the foregoing amendment to the Enabling Act was pending in Congress, an amendment to the bill was agreed to by E. C. Finney, the Solicitor of the Interior Department, Senator Walsh, and the Commissioner of this Department, requiring the Secretary of the Interior to issue patents to Sections 16 and 36. Senator Walsh examined and perfected this amendment with great care. It was then added to the bill as an amendment in the House, but when the bill came up for third reading in the House, objection was made to this addition. In order to save the original measure from defeat this feature was eliminated. Senator Walsh promptly introduced a new bill providing for patents, Senate Bill 4674, and Mr. Evans introduced an identical bill in the House, H. R. 12197. The Secretary of the Interior and the Commissioner of the General Land Office recommend that this bill be so amended as to apply to all the states that have received school land grants.

The report of C. C. Moore, the Commissioner of the General Land Office, which report was approved by Ray Lyman Wilbur, the Secretary of the Interior, reads in part as follows:

"There has been no provision of law whereby the States may be given evidence of title to such school section lands, either by United States patent or other formal instrument of conveyance, the statute making the grant operating as a conveyance as well, with respect to lands of the character and status subject to the grant.

"The need of legislation along the lines proposed by the bill under consideration is manifest, in order to do away with the uncertainty of title in and to these school section lands. It might appear that the grant of mineral lands made by the act of January 25, 1927, would do away with this uncertainty of title to a great extent, but this is not the case, inasmuch as it is necessary to ascertain the character of the land at the date when title would otherwise attach, in order to know whether or not title vested in the State under the grant of nonmineral lands made by the original granting act, or under the grant of mineral lands made by the act of January 25, 1927.

"The bill under consideration provides that the patents issued shall show the date when title vested in the State, and the extent to which the lands are subject to prior conditions, limitations, easements, or rights, if any.

"Although the bill mentions only the act of February 22, 1889, making a grant (to the States of North Dakota, South Dakota, Montana and Washington) of school section lands nonmineral in character, it is understood that the provisions of the bill under consideration are extended to the grant of school sections 16 and 36 to any State, by the insertion of the words 'and by any other act of Congress'.

"It has been decided by the courts that a grant of school section lands is not effective and title does not pass to the state until the lands have been surveyed (United States vs. Morrison, 240 U. S. 192), and it has been decided that the survey is not complete until the approval of the plat of survey by the Commissioner of the General Land Office. This date, therefore, is the basis of examination as to the character and status of the land, in order to determine whether or not title has vested in the State under its school land grant where the lands were not surveyed until after the date of the grant; but, as there are so many other conditions affecting the date when the State's title may attach, such as withdrawals or reservations of the land and conflicting claims, these dates are not always the actual dates of passing of title to the States. It is provided by the act of February 28, 1891 (26 Stat. 796), which is applicable to all States, that where school sections are within a reservation at the date when title would otherwise attach under the school-land grant, the State may await the extinguishment of such reservation and then take title to the lands. The act of January 25, 1927, as amended, makes a similar provision, that where such lands are included within the limits of existing reservations, or subject to any valid application, claim or right, the State's title does not attach until such reservation, application, claim, or right is extinguished, relinquished, or cancelled."

The Commissioner recommended that the bill be amended to read as follows:

"A BILL

"Authorizing the Secretary of the Interior to issue patents to the numbered school sections in place, granted to the States by

the Act approved February 22, 1889, by the Act approved January 25, 1927 (44 Stat. 1026), and by any other Act of Congress.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the Secretary of the Interior shall upon the application by a State cause patents to be issued to the numbered school sections in place, granted for the support of common schools by the Act approved February 22, 1889, by the Act approved January 25, 1927 (44 Stat. 1026), and by any other Act of Congress, that have been surveyed, or may hereafter be surveyed, and to which title has vested or may hereafter vest in the grantee States, and which have not been reconveyed to the United States or exchanged with the United States for other lands. Such patents shall show the date when title vested in the State and the extent to which the lands are subject to prior conditions, limitations, easements, or rights, if any. In all inquiries as to the character of the land for which patent is sought the fact shall be determined as of the date when the State's title attaches."

The report further reads:

"As thus amended I recommend the enactment of the proposed legislation as a means of terminating the present uncertainty with respect to the States' title to the numbered school sections in place."

Having received the full approval of the Department of the Interior and being of importance to all the states in the Union that have received grants of lands for public schools, this bill will no doubt be enacted into law without much delay. Thus the Montana idea of patents to our school sections will be made applicable to a great number of states, will remove uncertainty as to the State's title, and save a great deal of unnecessary work, trouble, delay, and at times, expensive litigation. It is a measure of far reaching importance.

Proposed Additional Grant of Public Lands by the United States to the Western States—Millions of Acres and Billions of Values Are Involved

What Is Involved for the State of Montana

It is not contemplated to turn over to the states the National Forests, National Parks or Indian Reservations, but it is proposed to grant to the states the unreserved lands. On July 1, 1931, the unappropriated and unreserved lands within the boundaries of the State of Montana aggregated 6,410,032 acres. By way of comparison it may be noted that the original land grant from the United States to the State of Montana was somewhat less than 6 million acres. It must be taken into account, however, that the per acre value of the lands now remaining is very low as compared with the lands previously received by our State. On the same date, July 1, 1931, there were more than 10,000 unperfected homestead entries in this state aggregating more than three million acres. No doubt a great portion of these entries will never be completed; the lands will then revert to the public domain and become subject to the grant.

In addition to the national reservations above enumerated, there are numerous other federal reservations within the State of Montana aggregating more than one million acres; and some of these reservations will no doubt be curtailed in area or entirely abandoned, and the lands so released will then become subject to the grant.

The mineral reservations of the United States within the boundaries of Montana are vast in area and of enormous importance. According to a statistical table issued by the General Land Office under date of December 18, 1929, these reservations were as follows:

Coal Classifications	8,563,862 Acres
Oil Withdrawals	1,350,426 Acres
Potash Withdrawals	279,944 Acres
Total.....	10,194,232 Acres

No doubt the mineral reservations overlap other reservations to a considerable extent, but exact figures on this point are not available.

Dr. Francis A. Thomson, the President of the State School of Mines, is authority for the statement that Montana has within her borders four hundred thousand million (400 billion) tons of known minable coal which is 14 per cent of the entire supply of the United States or 7 per cent of the total known coal resources in the world. Not all of this vast quantity is reserved by the United States, but the very larger portion thereof. The figures are staggering and practically beyond comprehension. The total assessed valuation of all the taxable wealth of the State of Montana as equalized by the State Board of Equalization for the year 1931, amounted to \$1,309,425,207.00. That is the full valuation of all the taxable property in the State, not the percentage valuation on which the taxes are computed. If we assume that sometime in the distant future Montana's coal resources will become worth 25¢ per ton, the total value would then be 100 billion dollars—**MORE THAN 76 TIMES THE TOTAL ASSESSED VALUATION OF THE STATE OF MONTANA FOR THE YEAR 1931.**

Is it not likely that when our supply of oil and gas has been exhausted we must turn to these enormous coal resources for fuel to heat our houses, and also for motor fuel? Experiments in chemistry have already demonstrated that coal will yield a usable substitute for gasoline; fertilizers are developed from coal; aniline dyes and numerous other substances of commercial value. It is of far reaching importance that we obtain ownership and title to these vast mineral resources placed within the boundary lines of the State of Montana but held by the United States.

History of the Plan

At a conference of governors and representatives from the Western States held at Salt Lake City on August 26 and 27, 1929, the suggestion was made on behalf of President Hoover that the surface rights in the unappropriated and unreserved public lands within the western states might be granted to the individual states to be administered and disposed of for the benefit of the public schools.

The message from the President was brought to the conference by the Honorable Joseph M. Dixon, former Governor of this State, and now First Assistant Secretary of the Interior, who further explained and amplified the suggestions of the President.

As a result of this conference a commission was appointed by the President to study the problems involved and make a report to him for his guidance in recommending legislation. The Honorable Ray Lyman Wilbur, Secretary of the Interior, and the Honorable Arthur M. Hyde, Secretary of Agriculture, were ex-officio members of this commission, and the President selected twenty-one members at large throughout the United States of which the present Commissioner of this department was one, having been nominated by Governor J. E. Erickson.

This commission held a number of meetings in Washington, D. C., and some of its members made a hurried examination of the public lands in the western states. The 1928-1930 report of this department contains an extensive discussion of the public lands question—pages 58 to 74.

The commission made its report to the President in January, 1931.

Consideration by the Legislative Assembly of the State of Montana

At its session in 1931, the Legislative Assembly of the State of Montana gave careful consideration to the public lands question. A memorial was introduced by the Committee on Public Lands in the Senate on February 11. After several hearings it passed the Senate on February 20, and after extended consideration in the House it passed that body on February 28. It was considered and discussed with the same care and thoroughness that it would have received if it had been an important amendment to the Constitution of the State. This memorial is therefore rightly considered as an expression of the deliberate judgment of the chosen representatives of the State of Montana with reference to the proposed grant of additional public lands to the western states. The memorial is as follows:

“SENATE JOINT MEMORIAL No. 5

Introduced by Committee on Public Lands

A Memorial to the Congress of the United States of America, Relating to the Proposed Disposition of the Public Domain, and also Relating to the United States Reclamation Service,

TO: THE HONORABLE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES IN CONGRESS ASSEMBLED:

We, the members of the Twenty-second Legislative Assembly of the State of Montana, do hereby respectfully represent that:

WHEREAS, the President of the United States has recommended that the unappropriated and unreserved public lands in the eleven public land states be granted to these states for the support of the public schools;

WHEREAS, There are nearly seven million acres of such lands within the boundaries of the State of Montana, and in addition thereto tens of millions of acres reserved or withdrawn for various purposes, and considerable areas of such reservations and withdrawals are likely to be eliminated therefrom and become a portion of the unappropriated and unreserved public domain;

WHEREAS, These public lands within the State of Montana are intermingled with lands already owned by the State of Montana and with private holdings;

WHEREAS, Long experience in this and other countries has abundantly demonstrated that agricultural and grazing lands will yield their best returns and contribute in the fullest measure to the welfare of the individual and the state when placed under individual control and ownership;

WHEREAS, The State of Montana has successfully administered lands heretofore granted to it by the United States for the support of schools and other public purposes; has built up an organization to manage this business; has succeeded in placing considerable portions of these granted lands in private ownership; and large permanent funds have been built up from the proceeds of the sale of such lands.

NOW, THEREFORE, BE IT RESOLVED by the Legislative Assembly of the State of Montana, the Senate and House concurring, that we urge upon the Congress of the United States the early enactment of legislation granting these public lands within the boundaries of our state to the State of Montana, the lands so granted to be subject to lease and sale upon terms that will result in bringing them under private management and ownership without any unnecessary delay. We believe that this will result in the preservation and substantial increase of forage, the development of an adequate water supply and all around real and constructive conservation, and that without any cost to the taxpayers of the State or Nation.

We ask that the granting act shall confer upon the State Board of Land Commissioners full power to exchange such lands for other lands of equal value wherever such exchange will result in the consolidation of the holdings of the State into suitable grazing units. This power to exchange and consolidate is of the utmost importance; it is the key to the solution of the problem.

WHEREAS, We hold that as a matter of reasonableness and justice, the minerals in such public lands should naturally go with the surface of the land to the people of the State within the boundaries of which Nature has placed them; and it is absolutely necessary to obtain the mineral rights in order to be able to effect the exchange and consolidation of these lands into suitable grazing units, we ask that all the minerals in these public lands, together with all other minerals heretofore reserved by the United States within the boundaries of the State of Montana, except such as may be essential for the national defense, be granted to the State of Montana; but that the grant of such mineral rights be made subject to reservations which will fully protect the rights of prospectors and miners, both as to entries heretofore made and entries which may be initiated after the grant to the State has become effective.

WHEREAS, We recognize that the United States Reclamation Service is one of the great creative agencies of the government and has made vast contributions to the real development of the West; we are willing and anxious to aid and encourage this great agency in every reasonable way, and as the Reclamation

Fund at the present time receives its main increase in working capital from mineral royalties, we suggest that the minerals be granted to the State upon the condition that approximately the same percentage of royalties shall be paid into the Reclamation Fund that is now being paid into that Fund from such royalties, so long as this fund is being used for the reclamation of arid lands in the West.

We urge that the Reclamation Act should be so amended that loans from the Fund may be made to organize irrigation districts for the reclamation of privately owned lands without a special act of Congress in each individual case. If no money can be made available from the Reclamation Fund for this purpose, then a special fund should be created.

WHEREAS, The United States Forest Service has proposed the addition of vast areas of grazing lands to the existing National Forests within the State of Montana, including some of our most valuable grazing lands, and we believe that such addition would be uneconomical and unwise, detrimental to the development of this State and opposed to sound National policy.

NOW THEREFORE, BE IT RESOLVED, That we emphatically oppose this proposed addition of grazing lands to existing National Forests within our State. We recommend that the existing boundary lines of National Forests be examined by impartial persons looking toward readjustment; so that lands now within the boundaries of such forests found to be more valuable for grazing than for other purposes will be eliminated therefrom; and that lands adjacent to present National Forests more valuable for timber production than for grazing will be included within their boundaries, economy of administration to be duly considered in arriving at decisions.

We recognize that the United States Forest Service has been of vast usefulness in preserving and developing the forests of our State; but we firmly hold that its activities should not be extended to include the administration of purely grazing lands.

BE IT FURTHER RESOLVED, That we ask that the present ratio of participation by the Federal Government in the construction of Federal Aid Highways be continued for a period of not less than ten (10) years from the time that the grant is accepted by the State.

WHEREAS, We regard the public school as one of the basic institutions of this country, essential to the well-being and perpetuation of the Republic, and its operation and maintenance require great sums of money, we ask that the larger portion of the lands granted to the State of Montana be dedicated to the perpetual support and maintenance of this institution, in accordance with the recommendation of the President of the United States.

BE IT FURTHER RESOLVED, That copies of this Memorial be sent to the President of the Senate, the Speaker of the House of Representatives and our Senators and Representatives in Congress and that five hundred (500) additional copies above the usual number be printed for the use of other members of Congress and other public officers and persons interested in the proposed National Legislation with regard to the disposition of the public domain.

FRANK A. HAZELBAKER,
President of the Senate

W. A. FLACHSENHAR,
Speaker of the House."

Bills Introduced in Congress

In November and December, 1931, James R. Garfield, Chairman of the Public Domain Commission, and Francis C. Wilson of New Mexico, one of its members, with the advice of other members, prepared a bill to carry out the recommendations of the President's commission— H. R. 5840, the same as Senate Bill 2272. While the proposed bill is in close harmony with the recommendations of the commission, it is not at all in accord with the plan of the State of Montana as expressed in Senate Joint Memorial No. 5. In all cases where lands are known to contain minerals, these minerals would be reserved by the United States.

The present Commissioner of this Department therefore went to work to formulate a measure in close accord with the Montana plan as expressed in the Senate Memorial. It proposes to grant practically all the minerals to the states subject to certain reservations. This constitutes a vast difference. While this measure differs so radically from the Garfield bill, it is all the same based on the report of the commission. It gives a more liberal interpretation of that report in favor of the states. The proposed grant of minerals is based on Section 5 of the Commission's report, reading in part as follows:

"We recognize that the Nation is committed to a policy of conservation of certain mineral resources. We believe the States are conscious of the importance of such conservation, but that there is a diversity of opinion regarding any program which has for its purpose the wise use of those resources. Such a program must of necessity be based upon such uniformity of Federal and State legislation and administration as will safeguard the accepted principles of conservation and the reclamation fund. When such a program is developed and accepted by any State or States concerned those resources should be transferred to the State."

The substance of this recommendation is that when any State has accepted and developed a policy that will safeguard reclamation and the principles of conservation then these mineral resources should be transferred to the State.

These conditions are fully met by the Montana plan.

Another bill on the same subject, Senate Bill No. 17, was introduced by Senator King of Utah. It is a very brief but comprehensive measure proposing to grant to the several states "all unreserved and unappropriated public lands including mineral lands belonging to the United States", such lands and the proceeds therefrom to be used by the respective states "exclusively for the support of the public institutions of such states as their legislatures may determine". It is worthy of note that mineral lands are included in the proposed grant and that the proceeds are to be used exclusively for the support of public institutions.

Bill of Senator T. J. Walsh Senate Bill 4060

On March 11, 1932, Senator T. J. Walsh introduced a bill dealing with the disposition of the public lands and embodying the Montana

plan. In submitting this measure to the Senate, Senator Walsh made the following brief statement as reported by the Congressional Record on March 12, 1932:

"The bill, Mr. President, deals with the disposition of the public lands. It provides for their transfer to the States. It is intended as a substitute for the bill introduced in the House, being the bill recommended by the commission appointed by the President to consider the subject. The bill which I have offered was prepared by a member of the commission from the State of Montana, the commissioner of State lands and investments of that State, who has given this subject very deep consideration, and whose discussion of the related problems excited, I believe, the admiration of everyone who was connected with the proceedings. He has prepared a statement concerning the bill, which I ask to have incorporated in the RECORD, and I ask that the bill also be printed in the RECORD and referred to the Committee on Public Lands and Surveys."

The fact that this measure had been suggested by an outsider did not make it necessary for the Senator to give this information to the Senate; but it is another example of that exceedingly fine sense of honor which has characterized the entire public life of Senator Walsh, and made him one of the great figures in the Government of the United States.

For the benefit of anyone interested, some of the main parts of the bill are here reprinted in full, as follows:

"Lands Granted

"Section 1. Subject to the terms, conditions, and exceptions hereinafter stated, there is hereby granted to each of the States of Washington, Montana, North Dakota, Oregon, Idaho, Wyoming, South Dakota, California, Nevada, Utah, Colorado, Arizona, and New Mexico certain lands within the boundaries of each of the said States, as follows: All the unappropriated and unreserved public lands, including the minerals therein; also all lands withdrawn or reserved on account of coal, oil, gas, oil shale, phosphate, potash, or other valuable minerals contained or supposed to be contained therein; also all lands restored to the public domain through the cancellation of homestead entries or other entries, rights or claims; also all lands eliminated in any manner from national parks or monuments, national forests, Carey Act withdrawals, and lands reserved for reclamation purposes or withdrawn or reserved for other purposes, but only when and to the extent that these lands in any manner become eliminated from such parks, reservations, and withdrawals as hereafter provided in this act; also all minerals, including coal, oil and gas, and mineral rights, and other rights connected therewith, which have been reserved by the United States in the lands to which the title has passed from the United States under the homestead laws or other laws of the United States subject to mineral reservations. Helium gas is hereby reserved by the United States from all of the foregoing grants.

"Additional lands from the public domain may be reserved by Congress at any time before they have been clear listed to

the States as hereinafter provided for national parks, national forests, and other purposes, and such lands are hereby excepted from the grant."

(Section 2 deals with the proposed adjustment of the boundary lines of National Forests, a provision also contained in the Garfield bill. Senator Walsh has now made up his mind that it will be preferable to accept the boundary lines of National Forests as they now are—page 74 of the hearings. This section may therefore be of no great importance at this time.)

"Terms and Conditions of the Grant

"Section 3. (a) In accepting this grant each State must agree to charge a royalty of not less than 12½ per cent, payable in money or in kind, at its option, on all oil and gas produced and saved from the lands received through this grant and to pay 52½ per cent of the proceeds collected from all such royalties to the Treasurer of the United States quarterly each year, such money to be for the credit of the reclamation fund, so long as this fund is used in reclaiming arid lands in any of the 13 States named in this grant: **Provided, however,** That if at any time a smaller percentage of the proceeds of the oil and gas produced and saved from the public domain in States which do not accept this grant is paid into the reclamation fund, then the portion of oil and gas royalties to be paid into the reclamation fund from States which have accepted this grant shall be reduced to the same percentage. Whenever the Reclamation Service has ceased construction work in all of the said 13 States, such royalties shall no longer be paid to the Treasurer of the United States, but shall be retained by the State and added to the permanent school fund to be created from part of the lands granted by this act as hereinafter provided.

"(b) The United States reserves the right to prorate the quantity of crude oil that may be produced and marketed from any of the lands hereby granted whenever this is deemed necessary in the interest of conservation, or to prevent overproduction, and to prescribe reasonable rules and regulations for all oil and gas operations on and in the said lands or connected therewith. The United States also reserves the right to take and remove helium gas from any of the said lands and to regulate and control the production and disposition thereof by others.

"(c) The lands hereby granted shall be subject to a right which is hereby bestowed upon any citizen of the United States to enter upon any of the said lands and prospect for metalliferous minerals therein during a period of 25 years from and after the approval of this act. When metalliferous minerals are discovered in commercial quantities during or after the 25-year period the discoverer shall, upon proper application to the State, be entitled to a perpetual mining lease subject to a royalty of 5 per cent of the value of the extracted ores or minerals at the mouth of the mine, which royalty shall be payable monthly to the State. The proceeds of all such royalties shall be added to the permanent school fund to be created from part of the lands granted by this act. The prospector or miner on any such lands shall also pay to the lessees and purchasers of the State fair and equitable compensation for any and all damages which may result to the land itself and crops and improvements thereon from such prospecting, mining operations, and other activities connected therewith.

"The State shall enact all legislation necessary for the regulation of all such prospecting and mining, and matters relating thereto, both before and after the expiration of the said 25-year period, and the same percentage of royalty shall be paid to the State after its expiration as before, and shall be paid into the same fund."

(At a public meeting to discuss the proposed legislation held in Helena, Montana, September 16, 1932, Senator Walsh stated that he would amend this part of the bill so as to protect the rights of prospectors and miners on these lands to the utmost and provide for the issuance of patents by the State to mines discovered.)

"(d) The lands passing to a State under the provisions of this act shall be subject to lease, sale, and other disposition as the legislature thereof may determine; but all sales of lands granted by this act shall be only at public auction after previous advertising; the lands sold shall be subject to the rights granted by this act to enter upon the said lands, prospect for metalliferous minerals, and to mine and remove the same. All subsurface minerals, including coal, oil, and gas shall be reserved from sale but shall be subject to disposition through lease on a royalty basis. Any of the said lands may be exchanged for other lands of equal value and as near as may be of equal area when it is found advantageous for the State to do so in order to consolidate its holdings into more suitable units. When any such lands are exchanged for other lands the mineral rights shall pass with the lands exchanged by the State without reservations, but the same rights and reservations shall thereupon attach to the lands received by the State.

"(e) Leases for grazing and agricultural purposes shall not be for a longer term than five years; mineral leases, including leases for the exploration for oil and gas and the extraction thereof, shall not be for a longer term than 20 years, except the perpetual leases for mining metalliferous minerals as provided in subdivision (c) of this section. Leases for the development of hydroelectric power shall not be for a longer period than 50 years.

"(f) The state may also, upon such terms as it may prescribe, grant such easements or rights in any of the lands granted by this act, as may be acquired in privately owned lands through proceedings in eminent domain: **Provided, however,** That none of such lands, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the State.

"(g) One-half of the lands granted by this act and clear listed, as nearly as practicable, shall be for the benefit of the public schools and shall be designated in the clear lists as 'public school land'; the remaining lands shall be available for other public purposes. All lands that suitably belong together on account of natural boundary lines or for other reasons shall be clear listed for the same purpose; but the clear listing shall be so alternated that when completed the 'public school land' is within 20,000 acres of the exact one-half of the total. The proceeds from the sale and other permanent disposition of any of

such 'public school land,' and from every part thereof, shall constitute a permanent fund for the support and maintenance of the public schools of the State, to be safely invested and to be guaranteed by the State against diversion and loss. It may be administered as a separate fund or added to the permanent school fund originating in the lands previously granted by the Federal Government. The rentals from leases on such lands, and all the other actual income arising therefrom, including interest on funds, shall be available for the maintenance and support of such schools. Any State may, however, in its discretion, add a portion of the annual income to the permanent fund.

"The remainder of the lands granted by this act, both the proceeds from their sale and other permanent disposition, and the income therefrom, shall be available for such public purposes as the legislature of the accepting State may from time to time determine.

"(h) No part of this grant shall become effective as to any State until such State, through its legislative assembly, has accepted the grant under the terms and conditions upon which it is made, and such acceptance, duly certified, has been received by the Secretary of the Interior of the United States. Whenever any of the said States so accepts this grant within 10 years from the day this act is approved by the President, the grant shall immediately become effective as to such State, irrespective of the action of other States.

"(i) All lands not already surveyed shall be surveyed by the United States in the usual manner before being transferred and clear-listed to the State.

"(j) When a State has accepted this grant and the Secretary of the Interior has been notified of such acceptance as aforesaid, and the Secretary has notified the local land offices, no application for a homestead entry or other entry under the laws of the United States to public lands within such State shall be accepted; but all homestead entries and other entries of public lands initiated prior to the date such notifications were received by the local land offices may be completed under the statutes, rules, and regulations applicable thereto.

"(k) The present ratio of participation by the Federal Government in the construction of Federal-aid highways within the accepting State shall be continued for a period of 10 years from the date of acceptance of the grant."

(Section 4 provides for the appointment of a commission to adjust boundary lines of National Forests and other reservations, and prescribes its powers and duties. Similar provisions are contained in the Garfield bill. As Senator Walsh has determined that the boundary lines may be accepted as they now are, the appointment of this commission will probably be unnecessary.)

"Duty of Secretaries to Eliminate Lands Without Recommendations From the Commission

"Section 5. It is hereby made the duty of the Secretary under whose department a certain reservation or withdrawal is being administered to readjust the boundary lines thereof or cause the same to be abandoned entirely whenever he finds that such action would be in accordance with the principles stated in

Section 2 of this act without awaiting recommendations from the said commission; but this shall not deprive the commission of the power to reexamine the boundary lines so adjusted.

"Clear Listing

"Section 6. It is hereby made the duty of the Secretary of the Interior from time to time to cause to be clear listed to the grantee State any and all lands found to be subject to transfer under the provisions of this grant and so certified to him as expeditiously as the same can reasonably be accomplished. The clear lists shall show what lands are 'public-school lands' and what lands are available for other public purposes, and shall accurately show the nature of the title conveyed. Title shall be in fee simple except as to the right to prospect for metalliferous minerals and mine the same, as granted in Section 2 of this act, and except also as to any other vested rights which may previously have passed from the United States.

"The clear lists shall be accompanied with information available as to the character of the land conveyed, its mineral possibilities, and other features affecting its use and value.

"Power Conferred Upon the Secretary of the Interior

"Section 7. Full power is hereby conferred upon the Secretary of the Interior to do and perform all things necessary to carry this act into effect on behalf of the United States."

Hearings in Congress

Extensive hearings on the proposed public lands legislation were held in both houses of Congress, the Senate hearings lasting from March 15 to April 5, 1932. Numerous representatives from the western states attended these hearings, and Governor J. E. Erickson designated the present Commissioner of this Department to attend on behalf of the State of Montana. His statement is found in the report of the hearings of the Senate Committee beginning on page 252.

None of the three bills mentioned was reported out from the committee before the adjournment of Congress either in the Senate or in the House, but further consideration will unquestionably be given to this legislation upon the reconvening of Congress next December. The sentiment for including the minerals in the proposed grant is very strong in the public lands committees of Congress.

Numerous Amendments to the Bill Likely

In order to satisfy the various interests of the States concerned, it is likely that numerous changes in the bill will be required. The extracts given have been printed in order to make information as to its nature available to the readers of this report.

Subsection (g) of Section 3 provides that one-half of the lands granted and clear listed shall be for the benefit of the public schools and shall be designated as "public school land". It further provides that

the remaining one-half of the lands received, both the proceeds from their sale and other permanent disposition and the income therefrom, "shall be available for such public purposes as the legislature of the accepting state may from time to time determine". There is a great diversity of opinion as to whether or not Congress should definitely designate the purposes for which the granted lands and the proceeds from their sale may be utilized; but there is unquestionably very strong sentiment for setting apart not less than one-half of all the lands for the support and maintenance of public schools. Sentiment is also developing for setting aside a fixed percentage of all the lands for the support of higher education. This would decrease the percentage of the lands left to the disposition of the legislature of the accepting state. It is believed that the grant will be of more enduring value if the very greater portion of the lands is definitely set aside for the support of education including state universities and other higher institutions of learning. This would be in complete accord with the well established policy of the Government of granting vast bodies of land for the perpetual support and maintenance of public schools.

It is to be feared that if the lands should be granted without designated purposes they would be frittered away for a multiplicity of purposes without any large, outstanding and permanent result.

UNDERLYING PRINCIPLES OF THE WALSH BILL

Conservation Policy Preserved and Perpetuated

The proposed legislation embodied in the Walsh bill accepts in full the principle developed and established by the Federal Government of attempting to conserve certain natural resources such as, for instance, coal, oil and gas, by retaining these resources in public ownership, and regulating their disposition and use through a leasing system. It does, however, make radical changes in the carrying out of the conservation policy by transferring title to these resources to the various states within the boundaries of which they are located. The proposed transfer is made subject to certain vital conditions and restrictions to insure the perpetual observance of the conservation principle. As these conditions and restrictions constitute the very foundation for future conservation through the states, they are of the utmost importance, deserving most careful scrutiny. Some of the main points are as follows:

1. The accepting states must agree to charge a royalty of not less than $12\frac{1}{2}$ per cent on all oil and gas produced and saved from the lands received through this grant, and to pay $52\frac{1}{2}$ per cent of the proceeds collected from such royalties to the Treasurer of the United States for the credit of the Reclamation Fund. This is the same percentage which is now being paid into the Reclamation Fund. It is worth noting that by having this condition embodied in the grant, the accepting state will thereby be bound to continue this payment as long as Reclamation carries on its work in the West—Section 3, subsection (a).

2. Under subsection (b) of the same section, the United States reserves the right to prorate the quantity of crude oil that may be produced and marketed from any of the lands granted, and to prescribe reasonable rules and regulations for oil and gas operations. Through these provisions the bill contributes all that it possibly can towards national planning and conservation in the oil industry.

3. Under subsection (d) of the said Section 3, all subsurface minerals including coal, oil and gas are reserved from sale, but are made subject to disposition through lease on a royalty basis.

4. Subsection (f) of the same section provides, "That none of such lands, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the State." It will be noted that this is a general provision applying to all the lands and all resources therein; its purpose is so self evident that it needs no explanation. It furnishes a firm basis for state legislation.

5. Subsection (g) carries conservation to its highest attainable form. The bill has already made provision for conserving the natural resources themselves, that is, for the wisely regulated use of these resources. This subsection sets aside one half of the lands granted and the proceeds from their sale and other permanent disposition for the creation of a permanent school fund. This is permanent conservation as the fund created is intended to endure as long as the accepting state continues to function.

When a state accepts the proposed grant, the terms and conditions thereof become part of a contract between the United States and the accepting state. This being the case the conservation principles embodied therein must be observed notwithstanding the shifting currents of public sentiment or the upsetting changes in public office. These conditions and restrictions of the grant will thus furnish the best obtainable insurance for the continuation of the conservation program.

6. The point may be raised that no special provision is made for the conservation of the grazing lands of the grant. That is so. These lands are made subject to lease, sale and other disposition as the legislature of the accepting state may determine—Subsection (d) of Section 3. This is in full accord with the findings of the Commission on the Public Domain. Section 19, page 8 reads as follows:

"It is the conclusion of the committee that as to agricultural and grazing lands, private ownership, except as to such areas as may be advisable or necessary for public use, should be the objective in the final use and disposition of the public domain."

The supposition involved is that when the lands are placed under private management and control through lease or sale, the self interest of the user will bring about its intelligent utilization. Overgrazing

will be prevented; some of the lands will even be seeded to pasture grasses and a water supply will be developed through the drilling of deep wells or the building of reservoirs wherever feasible. No supervision from the Capital of the Nation is necessary in carrying out this everyday work of the stockman and rancher. The great mass of the agricultural and grazing lands of the United States from Cape Cod to the Golden Gate has been entrusted to private ownership and management. There appears to be no good and sufficient reason for special regulation and supervision through any government agency over the semi-desert grazing lands that the government has been unable to give away in the western states. It is doubtful if the expenditure of public funds for such purposes could be justified.

Proposed Plan in Full Accord with the Form and Spirit of Our Government

The proposed shift of administration of the scattered lands and mineral resources from the National Capital to the states in which they are located is in entire accord with our dual form of government and the principles underlying this government. It will leave to the administration of the states a larger share of their local affairs; but at the same time the conditions and restrictions in the grant will insure that the administration by the states will be in line with national policies. The founders of the Union intended that the individual states should have and exercise all powers not essential to the national government. They also contemplated a wide and unobstructed field for individual enterprise. The constitution does not contemplate, and the founders of our government did not even dream of the present vast expansion of the national government into matters capable of successful administration by the individual states. They regarded local self-government as essential to liberty.

It is anticipated that the grant of these lands and resources to the states will eventually result in very substantial savings to the national treasury. The administration and examination of these lands and scattered resources from the National Capital requires a great deal of travel and expense often out of all proportion to the importance of the business involved.

In the first statement given out by President Hoover on the proposed new land grant, August 21, 1929, he says among other things:

"The Federal Government is incapable of the adequate administration of matters which require so large a matter of local understanding."

"The problems are in large degree administrative in character both as they affect the Federal Government and the government of the states."

"Moreover, we must seek every opportunity to retard the expansion of Federal bureaucracy and to place our communities in control of their own destinies."

It is to be anticipated that the longer federal administration is continued over these lands and scattered resources, the more firmly "federal bureaucracy" will be entrenched within our western states. If not checked at the present time, it might develop to such an extent as to seriously interfere with local self government to say nothing about the opportunity for individual initiative and enterprise.

In 1832—one hundred years ago—the Public Land Committee of the United States Senate made a formal report on public lands in which we find the following statement bearing on this very subject:

"The speedy extinction of the Federal title within their limits is necessary to the independence of the new States, to their equality with the elder States, to the development of their resources, to the subjection of their soil to taxation, cultivation, and settlement, and to the proper enjoyment of their jurisdiction and sovereignty.

"The ramified machinery of the Land Office Department and the ownership of so much soil extends the patronage and authority of the General Government into the heart and corners of the new States and subjects their policy to the danger of a foreign and powerful influence."

THE FARM PROBLEM and THE DOMESTIC ALLOTMENT PLAN

A plan for Making the Tariff Effective on That Part of the Crop Consumed in This Country

(The Commissioner of this department has endeavored to call attention to the Allotment Plan through the newspapers of the state for a year or so.)

This report begins with a reference to the economic depression and shows briefly how drastically it has affected farming and ranching in Montana. As this department is the custodian of such large areas of land throughout the State and deals so extensively with farmers and ranchers in the leasing and sale of land, it is only natural that we should ask some questions in regard to the farmers' difficulties. Is there a real solution for the farm problem? Can agriculture be placed on approximately the same basis with regard to price on its products and profit from its operations as other industries?

Before attempting to indicate a reply to these questions, it may be well to give some figures relating to agriculture showing its importance in the economic life of the nation. The following figures are taken directly or indirectly from the census of the United States for 1930:

Total population of the 48 States, April 1, 1930	122,775,046
Number of persons of this population living on farms	30,447,550
Total investment in farm lands, buildings, livestock, machinery, equipment and working capital, nearly	60 Billion Dollars
Total number of persons "gainfully employed" in agriculture, manufacturing, mechanical industries, in the professions, and all other kinds of work for which compensation is received.....	48,830,000
Total number of these employed in agriculture (Of these only 2,733,000 were working for wages. The remainder is made up of the farmers themselves and members of their families.)	10,472,000
Total number operatives and laborers employed in factories	9,550,000

It is significant that practically one fourth of the entire population of the United States is living on farms; and that nearly sixty billion dollars is invested in the business. This is probably approximately one sixth of the total wealth of the United States. It is equally significant that the number of persons employed in agriculture is nearly a million greater than the total number employed in factories.

Average Farm Income

The Year Book of Agriculture for 1930, published by the Department of Agriculture of the United States, contains some woeful information as to the average income for each farm throughout the United States.

The table containing this information is found on page 991 of the 1930 Year Book, and shows in one column the income per farm available for "capital, labor and management" and in another column the income available for "labor and management". The figures are as follows:

Year	Income per Farm Available for Capital Labor and Management	Income per Farm Available for Labor and Management
1919	\$1,246.00	\$918.00
1920	684.00	397.00
1921	514.00	271.00
1922	682.00	441.00
1923	766.00	534.00
1924	854.00	624.00
1925	922.00	691.00
1926	862.00	636.00
1927	896.00	668.00
1928	901.00	669.00

The average income "available for labor and management" for the ten years above enumerated is exactly \$584.90 per farm. Figuring this into day's wages it will come to \$1.60 per farm family. The average number of persons per family in the United States according to the 1930 census is 4.1, and it is safe to assume that the size of the farm family is at least up to this average. These figures furnish a melancholy picture of the farmer's plight. It should be noted that these figures do not apply to the present depression; they represent some of the best years in American agriculture; the year 1919 was one of the most prosperous years known to agriculture in the United States. The corresponding figures for 1929 and 1930 do not appear to be given in later Year Books of the Department of Agriculture, at any rate not in the same form.

Agriculture as a Basis of Prosperity

We are indebted to the National City Bank of New York for repeatedly calling attention to agriculture as a basis of prosperity.

The National City Bank is one of the oldest and most substantial financial institutions of this country, having been doing business continuously for 120 years. Its knowledge of financial affairs is world-wide, and it has prominent financial and economic experts on its staff. Every month this institution publishes a circular letter dealing with "Economic Conditions, Governmental Finance and United States Securities"; considering the source of this publication its statements are entitled to considerable weight. The April number has the following to say about the farm situation and the basis of prosperity:

"... The prices of farm products have fallen much more than the prices of what the farmer buys, but on account of his own supply of prime necessities he is able, if not in debt, to stand the storm more comfortably than might seem possible in view of his reduced income from outside.

"According to a Department of Agriculture calculation, the average price of all farm products in the United States on January 15, 1932, was only 63 per cent of the average over the

last five pre-war years, while a similar calculation of the prices of goods which farmers are accustomed to buy was 121 per cent. On this basis the farmers as a group are able to make only 51 per cent of the purchases which they were accustomed to make in the pre-war years.

"That single statement accounts for a large part of the unemployment in the other industries. What has happened to the farmers has happened also to the people who live in the small towns immediately dependent upon the farms, and to these have been gradually added the numbers of unemployed in all the industries, as the decrease in buying power has spread. The farmer is digging in to survive, and he has some advantage over other people in digging in, but through no fault of his own he cannot give much support to the other industries. He is delivering about the same quantities of his products as formerly, but receiving only about one-half as much in exchange. Nominally the other industries have an advantage, their products are rated relatively higher than before the war, but they are not more prosperous.

"Never has there been a clearer demonstration that the basis of prosperity is equitable exchange relations."

Causes of Low Prices on Farm Products Likely to Last

With regard to the exchange value of the farmer's products, we have the peculiar and intolerable situation that the sales price of wheat and cotton and other farm products of which a portion must be exported is fixed and determined largely by the pauper wages of Europe and the wages of almost compulsory labor in Russia, while the price on many of the products the farmer must purchase is fixed by American standards of wages and living. According to the reasoning of the National City Bank, this unequitable exchange relation is one of the causes of the prevailing lack of employment and general distress.

A surplus of various farm products is almost certain to be raised in this country for decades to come, and so long this disastrous price inequality will last. The problem will not right itself of its own accord for decades to come. If we want to save American agriculture with its one fourth of America's population from financial ruin; if we want to restore its purchasing power, give employment to the nine or ten millions usually employed in our factories, and restore some degree of well being in this country, we must devise some means for increasing the price on farm products through National legislation.

Regulation Through Legislation

It is recent history that a special session of Congress was called for April 15, 1929, to consider farm relief. Extensive hearings were held, even before Congress met, by the Committee on Agriculture and Forestry of the Senate, a committee largely composed of men sincerely interested in the problems of the farmer. Various plans were brought to the attention of the committee for improving the price on farm products. The three leading plans dealing with wheat may be designated as "The Equalization Fee Plan", "The Export Debenture Plan" and "The Domestic Allotment Plan".

During the last session under the Coolidge administration, Congress had passed a bill to carry the Equalization Fee Plan into effect, but the bill was vetoed by the President. During the extra session the Senate espoused the Export Debenture Plan but this plan did not carry in the House.

Somehow the Allotment Plan does not appear to have had any great following. Probably it would be a little more difficult to initiate than the other plans, and agriculture was not then in the same desperate straits as it is today. In all probability Congress and the country at large is now willing to try out more deep-going and fundamental remedies than at that session. Any plan that is inherently sound and likely to bring beneficial results is entitled to the consideration of the country today.

The Allotment Plan

In order to give some respectability to the Allotment Plan, it may be stated that it was brought to the attention of the committee by Professor John D. Black of the Department of Economics of Harvard University. He did not bring it as a plan of his own, or even as a new plan. Dr. W. J. Spillman, late of the U. S. Department of Agriculture, presented his plan in "Farm, Stock and Home" as far back as 1926, and many other persons both in private and public life have given some thought and attention to plans of this kind. The plan here presented is not the original plan but its basic idea remains the same. What we want is results—relief for our struggling farm population, renewed purchasing power, increased employment and improved business conditions.

The Plan in Brief

The fundamental idea of the plan is to make the tariff on wheat, or part of it, effective on that part of the wheat which is utilized or consumed at home, less than three fourths of the entire production. It does not attempt to boost the price on exported wheat. The export trade will act as a spillway for the surplus. The present tariff on wheat is 42¢ per bushel; but it might not be necessary to go to the full limit.

Let Congress lay an excise tax, equal to that part of the tariff which is to be made effective, on all wheat ground into flour or feed or otherwise processed for use as food; such excise tax to be paid monthly by all millers and other manufacturers of wheat products, as the wheat is purchased. The tax on flour and other wheat products exported would have to be refunded.

Irrespective of the amount of the surplus, entirely independent thereof, this tax would be effective. It should be paid into the Treasury of the United States and then apportioned to the various states, counties and individual farms. **The total proceeds of this excise tax would be paid to the wheat growers of the United States in addition to the actual sales price.**

Allotment to States, Counties and Individual Tracts of Land

Existing departments of the National Government should be authorized through the legislation providing for the allotment plan to apportion the proceeds of the excise tax to the wheat producing states and also to fix the exact acreage that would be entitled to share in the apportionment. The Department of Agriculture and the Department of Commerce would probably be the proper agencies for making this allotment to the states, and the main basis for this allotment should be the average wheat production of each state through a series of years, not less than five, and the average acreage utilized for wheat raising during that time.

It should be borne in mind that only about three fourths of the wheat produced in the United States is consumed at home, and this being the case, the allotment should be confined to not more than three fourths of the area now utilized for wheat production. Upon this basis the departments should calculate and fix the percentage of the proceeds of the excise tax to which each state would be entitled, and also the exact acreage in each state entitled to share in this allotment. This part of the plan would not be very difficult to carry out as the quantity of wheat produced in the various states from year to year, and the areas utilized for raising this wheat, are pretty well known through accumulated statistics.

The Treasurer of the United States should pay over the proceeds of the excise tax to the treasurers of the wheat producing states two times each year.

Each state should then allot to every wheat producing county in that state its share of the state's allotment and fix the exact acreage entitled to share in the allotment. The basis of this allotment should be the same as the basis for the allotment to the individual states. The State Department of Agriculture, the Tax Commission and the Agricultural College would probably be the proper agencies for making this apportionment to the counties.

The allotment to **individual tracts of land** within each county could probably be made through the Board of County Commissioners and the County Agent under the supervision of the Agricultural College. This would involve the bigger portion of the work in carrying out the plan. Let it be understood that this apportionment is to be made **to specific tracts of land** and is limited to the total area allotted to that county, averaging not more than three fourths of the total wheat area in accordance with the general plan. This limitation of the acreage to which the allotment applies is as essential to the plan as the bottom is to a barrel.

Under this plan the allotment would be paid not only during the years that the crops are raised but also during the years that the lands are summer fallowed. This would result in a much needed equalization of the returns from wheat growing.

Ample Legal Authority

There does not seem to be any lack of legal authority to raise the money through an excise tax. Under Section 8 of Article I of the Constitution, Congress has power to "lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States," and also "to regulate commerce with foreign nations, and among the several states". "To promote the general welfare" was one of the specific purposes for which the Constitution of the United States was ordained and established. This purpose covers a wide field and here is an appropriate place to seek its realization.

Application to Other Crops

It has been pointed out that the plan would work equally well for cotton; and there are other crops to which it could be applied. It is obvious that the increased returns from the wheat crop would have a tonic effect on the price of all other grains.

Continued Development of Marketing Organizations Required

The Allotment Plan would not do away with the necessity for the continued development of our marketing organizations. The orderly, economical and efficient marketing is of constant importance for all commodities produced on a large scale. One of the main objects of our marketing organizations should be to bring the farm products into the hands of the actual consumers with the least possible cost added to the price paid to the producer.

Would It Raise the Price of Bread?

Many people would draw the conclusion that an increase of 35¢ or 40¢ per bushel in the price of wheat would mean a material advance in the price of bread. The cost of the wheat is only a very small part of the cost of a loaf of bread. On the average it takes a shade less than one pound of wheat for the flour in a one pound loaf of bread; one bushel of wheat will produce about sixty-two pounds of bread and in addition thereto leave about twenty pounds of mill feed. The resulting increase in the cost of bread would scarcely be noticeable.

Objections to the Plan

It will probably be objected that this is an artificial stimulation of prices; that it is something practically new and untried in our economic system and therefore beset with many dangers. It will be admitted that it is an artificial boosting of prices; so is every protective tariff where that tariff becomes effective. That is the purpose of a protective tariff; and this plan simply proposes to make a part of the present American tariff on wheat effective on that part of the crop that is consumed at home. It will have exactly the same effect that the protective tariff would have had if we did not have a surplus of wheat. If the tariff had become effective through a decrease in pro-

duction, then no believer in the tariff would have objected to the artificial boosting of prices. Why should we object if this same result is brought about through a somewhat different method?

Special Advantages of the Allotment Plan

1. It would not tempt the producer to increase his wheat acreage; on the contrary, it would plainly show what acreage is required for the home market and how unprofitable it would be to increase the production beyond that requirement. Neither does it try to develop price increase through scarcity. In a world where millions upon millions are starving, this new gospel of riches through scarcity is not one of universal appeal. It is a resort to very primitive methods and not the employment of statesmanship of the highest order.

2. It would not give one producer the equal benefit and advantage of the reduction in acreage by some other producer. It would bring home to each individual producer the results of his own over-production. This is Justice in the flesh with a big stick in her hand and her eyes open.

3. It would not require government funds. It would not make the Government a loser and the borrower a pauper as the present loan policy is sure to do.

4. It would not encourage the use of low grade lands unsuitable for wheat production; on the contrary it would result in the selection of the lands best suited for this crop. It would give the Agricultural College and the proper authorities the opportunity of selecting suitable lands for wheat growing and even of exercising some wholesome regulations over farming methods. This alone would be a valuable by-product of the plan.

5. As this allotment would be based on the land itself and not on the crop, it would equalize the returns from wheat farming between the good years and the poor. It would be available even in a year of total crop failure, and serve as a sort of insurance against crop losses.

The Plan As Outlined May Not Be The Most Acceptable

Up to the present time the Domestic Allotment Plan has not been worked out in a detailed form agreed upon by any large group of people; it is yet in its formative stage of development. It is certainly not claimed that the particular form of allotment plan herein outlined is the best plan that can be devised. The purpose of this entire discussion involving agriculture and the Domestic Allotment Plan is to bring out the following facts:

1. The prevailing price on farm products is far below the prevailing prices on goods that the farmer must purchase, and this is ruinous to agriculture itself.

2. This lowness of price on farm products—this inequitable exchange relation—has destroyed the farmer's purchasing power, ruined the demand for manufactured goods, and resulted in much unemployment, loss of income, business depression and suffering.
3. This situation will not right itself of its own accord for a long time to come, for the reason that we are likely to continue to have an exportable surplus of various kinds of farm products and the export price will drag down the price on that part of the product consumed in this country also.
4. It is **possible** to increase the price on that part of our main farm products consumed in this country through the application of **some form of an allotment plan**, and thereby restore that "equitable exchange relation" which is the basis of prosperity.

Let us not subscribe to the humiliating doctrine that we are so powerless, so stupid, so poverty stricken in ideas that we are unable to regulate our own domestic affairs and must surrender to the drift of circumstances and the effects of poverty, turmoil and revolution in foreign countries. One half of the economic problem of this country is solved: We can produce an abundance of all material goods. The other half of the problem is to bring about a somewhat equitable distribution of these goods. This should be solvable.

Professor M. L. Wilson of the Montana State College and the Allotment Plan

There is one man in the State of Montana who has probably devoted more time, study and research to the economic aspects of agricultural problems than any other man in the West: this useful man is Professor M. L. Wilson, head of the Department of Agricultural Economics at the State College at Bozeman. He believes that the Domestic Allotment Plan **in some form** is practicable. He has devoted a great deal of his untiring energy to the exposition of the merits of this plan to farmers, farm leaders, prominent economists, members of Congress and other statesmen.

The Domestic Allotment Plan is now receiving more attention throughout the nation than any other farm relief plan so far proposed. A bill has already been introduced in Congress, largely due to the efforts of Professor Wilson, having for its object to make a form of the allotment plan applicable to wheat, cotton and hogs. If this plan is put into successful operation, the people of this state and the nation will owe a vast debt of gratitude to the constructive mind of Professor M. L. Wilson.

HISTORY OF THE FEDERAL LAND GRANTS

(Reprinted from the Last Biennial Report)

As all the affairs of the department appear to originate in certain land grants from the Federal Government to the State of Montana, it seems appropriate to give a brief history of these grants. But let us not blindly assume that these land grants constitute the real origin; by such assumption we should fail to realize their deeper significance. Back of these magnificent gifts there lies a great purpose; and to understand this purpose we must understand the spirit that actuated the givers—the Fathers of this Republic—and the age in which they lived.

The idea and purpose of the federal land grants date back to an age that represents a great turning point in human affairs, especially in the sphere of government and social organization, but at the same time an age of darkness and gloom and narrowness and poverty as compared with the richer, larger and sunnier life prevailing throughout large portions of the civilized world today. In that age a government in which all the people had some share was practically unknown; the education of the masses had never been tried and was dreamt of only by a very few; whatever enjoyment and comfort and culture there were for a small portion of society rested very largely upon the enforced toil and drudgery of the masses, and even upon the actual commercial ownership of a great number of human beings by others through the black institution of slavery.

But in this same age there also lived a growing number of altruistic men endowed with sympathetic comprehension of human life and inspired with visions of its liberation and enrichment. In the minds of these there gradually dawned a luminous truth, a guiding light—the **consciousness of the worth and value and dignity of the common human life**. Listen to the immortal words of Thomas Jefferson in the Declaration of Independence: "We hold these truths to be self-evident: That all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty and the pursuit of happiness." These truths embody a deep realization of the essential equality of all men, a profound respect and a devout esteem for human life as such, and they breathe the fruitful spirit of living sympathy with a struggling race. It is in reality the spirit of awakening humanity itself speaking through the founders of a nation.

In this spirit and on these principles, our forefathers founded the most stupendous experiment in democracy that the world ever saw; and it is worth noting that this spirit and these principles still remain among the most vital forces in improving political government and social organization. It was the earnest faith and fervent hope of the fathers that this form of government more than any other would insure a high degree of liberty, foster equality, and "aid in the pursuit of happiness". But they realized that in order to make this form of government a successful and enduring institution **it was necessary to educate**

the masses. So they encouraged the establishment of public schools and inaugurated the policy of granting lands to aid in their perpetual maintenance.

The earliest educational land grants which I have been able to discover date back to the Continental Congress. On May 20th, 1785, this body passed an ordinance reserving "the lot No. 16 of every township for the maintenance of public schools within the said township". This ordinance of the Continental Congress applied only to the "Western Territory," embracing the present states of Wisconsin, Illinois, Indiana, Ohio and Michigan; but from the grants then made developed the general policy of the United States of granting lands for the support of schools. It was gradually extended to all new states having public lands, and the grant was increased to cover two or more sections in each township.

The adoption of this policy is undoubtedly one of the great events in American history. The Public School has wrought mightily in the marvelous making of America. It has been a great power in liberating and enriching the life of the individual, and it has proved itself the most powerful agency under the control of the state for moulding the various and numerous elements of our population into one people and one nation.

There is one other act in the development of the land grant policy of the United States which has had such far-reaching effects that it is more than worthy of special mention. This is the Morrill Act, so named after its author, Justin Smith Morrill, of Vermont. He served as a member of the House of Representatives from 1851 to 1866 and was a member of the Senate from 1867 to his death in 1898. Briefly stated, the act that he formulated provides for the granting "to the several states" of thirty thousand acres of land for each senator and representative in Congress for the "endowment, support and maintenance of at least one college where the leading object shall be . . . to teach such branches of learning as are related to agriculture and the mechanic arts . . . in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions of life". This Act was first passed by Congress in 1857 but vetoed by President Buchanan. It was passed a second time in 1862 and approved by President Lincoln on July 2 of that year. Various amendatory and supplementary acts have been passed since that time. Under these acts some seventy colleges have been established throughout the Union.

It is impossible to estimate the enormous benefits that have resulted from these institutions to a country and in an age in which "agriculture and the mechanic arts" have played such a dominant part in the forward march of civilization and in the liberation and enrichment of human life.

The federal land grant policy has been made applicable to the State of Montana mainly through the Enabling Act, admitting the state into the Union. Section 14 of the so-called Organic Act, creating the

Territory of Montana "reserved" sections sixteen and thirty-six in each township for school purposes; but the real grant is made through the Enabling Act. Minor grants for various purposes have been made through subsequent acts. The following statement enumerates all our land grants, showing the acreage of each, and makes reference to the acts under which they were made:

FEDERAL LAND GRANTS TO THE STATE OF MONTANA

Public School Grant. (Sec. 10 of Enabling Act.)

This grant embraces sections 16 and 36 of each township of the state outside permanent national reservations, and makes provision for selecting lieu lands for such of these sections that have been lost to the state. Total grant about	5,188,000 acres
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State University Grants.

Section 14 of the Enabling Act grants seventy-two sections, to be sold for not less than \$10 per acre, the proceeds to constitute a permanent fund, "the income thereof to be used exclusively for university purposes;" total grant.....	46,080 acres
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The Act of Congress approved March 9, 1904, (33 Stat. 64) grants the south half and the south half of the north half of Sec. 26, Twp. 13N. of Rge. 19 West, adjoining the original campus "for university purposes"	180 acres
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The Act of Congress of March 3, 1905, (33 Stat. L. 1080) grants 160 acres for a biological station; this land has been selected on Blue Bay on Flathead Lake	160 acres
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Total	46,720 acres
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Agricultural College Grants.

Sec. 16 of Enabling Act Grants.....	90,000 acres
(This is really the Morrill Grant made applicable to Montana.)	
Sec. 17 of Enabling Act makes an additional grant of.....	50,000 acres

Total	140,000 acres
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Grant for School of Mines.

Sec. 17 Enabling Act.....	100,000 acres
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Grant for State Normal Schools.

Sec. 17 Enabling Act.....	100,000 acres
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State Reform School Grant.

Sec. 17 Enabling Act.	50,000 acres
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Deaf and Dumb Asylum.

Sec. 17 Enabling Act	50,000 acres
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Grants for Public Buildings at the State Capital:

Sec. 12 of Enabling Act	32,000 acres	
Sec. 17 of Enabling Act	150,000 acres	182,000 acres
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Total of all these grants		5,856,720 acres

MINOR GRANTS**Militia Camp.**

The Act of Congress approved February 13, 1891, (26 Stat. 748), grants to the State of Montana one section of land within the abandoned Fort Ellis Military Reservation in Gallatin County for a permanent militia camp "for other public uses". The state selected the following lands for these purposes:

SE¹₄ SE¹₄, Sec. 10; the N¹₂, the SW¹₄, the W¹₂SE¹₄ and NE¹₄ SE¹₄ of Section 15, all in Twp. 2 S. of Rge. 6 E. By State Senate concurrent resolution approved January 30, 1923, this land is now dedicated to the Agricultural Experiment Station.

Grant for Soldiers' Home.

The Act of March 2, 1895 (28 Stat. 938), authorizes the Governor of the State of Montana to select two sections of land within the abandoned Fort Maginnis Military Reservation in Fergus County, "for the maintenance of a soldiers' home, or for other public purposes". But the act further provides that these lands shall be in part satisfaction of the lands already granted to the state by section 17 of the Enabling Act, and consequently this act does not increase the total grants to the State. The State selected a total of 1275.61 acres in sections 1 and 2 of Twp. 16 N. of Rge. 20 E. and in Sections 31 and 35 of Twp. 17N. of Rge. 20E. and deducted this acreage from the State Reform School Grant. At this writing a total of 218.84 acres has been sold at the price of \$18.00 per acre, leaving unsold 1,056.77 acres. All income is available for the maintenance of the Soldiers' Home at Columbia Falls.

Grant for Agricultural and Manual Training School.

The Act of Congress approved February 14, 1915 (38 Stat. 807), authorizes the granting to the State of Montana of 2,000 acres of land at the price of \$2.50 per acre within the abandoned Fort Assiniboine Indian Reservation for the establishment of an "agricultural, manual training or other educational institution". The land carried with it valuable buildings. By act of the State legislature approved March 8, 1913, the State of Montana had already made a provision for consummating this deal with the United States, and had established and located "The Northern Montana Agricultural and Manual Training School" at Fort Assiniboine (Sections 917 to 925 of the Revised Codes of 1921.). The two thousand acres of land were subsequently selected in Sections 21, 22, 27, 28, 29, 32, 33 and 34 of Twp. 32 N. of Rge. 15 E., in Hill County.

State Penitentiary.

The last three lines of Section 15 of the Enabling Act read as follows: "The penitentiary at Deer Lodge City, Montana, and all lands connected therewith and set apart and reserved therefor, are hereby granted to the State of Montana." As far as known this is the smallest land grant made to the State, embracing a little less

than nine and three-fourths acres, but it has an interesting history which has been furnished by Frank Conley, a former warden of the State Penitentiary, a summary of which is as follows:

Under date of October 20, 1864, J. S. Pemberton, C. A. Broadwater, and others incorporated as the Deer Lodge Town Company and by the same instrument they also "pre-empted" under a certain townsite act 32 acres of unreserved land on the Deer Lodge river.

Under date of January 16, 1868, these incorporators proceeded to plat this land as "Deer Lodge City, in Deer Lodge County, Montana Territory". The plat was filed for record in Deer Lodge County August 6, 1869.

Under date of March 3, 1868, this townsite company deeded certain blocks to the United States of America in consideration of the sum of \$500.00 for penitentiary purposes.

Under date of June 29, 1868, the same townsite company executed a quit claim deed to the United States of America covering the same land in order to convey better title. This conveyance covers all of Blocks 90, 104, 115 and parts of Blocks 89, 105, 114 and parts of certain streets, containing in all 420,320 square feet, according to the plat of Deer Lodge City at that time.

Since that time the plat has been changed and according to Frank Conley the land above described is the same as Blocks 52, 53, 62 and the E½ of Blocks 63 and 67 of the present townsite.

It appears that at the time of these conveyances to the United States, the Deer Lodge Town Company had not obtained good title from the United States to the land embraced within the townsite. Under date of June 15, 1872, the United States of America issued a patent to D. P. Newcomer, Probate Judge of Deer Lodge County, Montana Territory, to the land originally pre-empted by the townsite company and platted as Deer Lodge City to be held "in trust for the several use and benefit of the occupants of the townsite of Deer Lodge according to their respective interests". There is no record of any conveyance from Judge Newcomer to the State of Montana, but the last three lines of Section 15 of the Enabling Act, above quoted, do undoubtedly give title to the State of Montana to the land in question together with all buildings and improvements thereon.

The complete history of the penitentiary grant has been presented to the State Historical Library.

PERSONAL MENTION

There are a great number of persons to whom this department is under deep obligation, some of them being in the service of the department and some of them not so connected. Only a very few can be mentioned in this report.

Mrs. Nautia B. Sherlock, Assistant Commissioner, has charge of all leasing of State lands for grazing, agriculture and oil and gas operations. This is a work that involves endless search of the records, voluminous correspondence and the most painstaking and constant effort. She is discharging these exacting duties with perfect conscientiousness and fairness to all concerned, and is in close sympathy with the farmers and ranchers throughout the state, having a deep insight into their problems. We believe that it would be difficult to make any material improvement in the service that she is rendering to the thousands of lessees throughout the State of Montana.

Mr. L. E. Choquette has held the office of State Land Agent continuously since March, 1926, and he is giving his full time and energies to the discharge of his numerous duties. He has charge of all the field work but at the present time, owing to lack of appropriations, his force consists only of three men, namely, H. C. Biering of Bozeman, W. P. Pilgeram of Armington, and James W. Masterson of Meredith. It is needless to say that three men are not sufficient to give the necessary attention to all the lands of the State scattered throughout its 56 counties, but Mr. Choquette and his deputies are doing the best that possibly can be done. During his term of office he has practically completed the selection of lien lands—lands selected in place of losses of Sections 16 and 36. There are a few scattered sections and parts of sections throughout the state to which the State's title has not been fully determined and this will no doubt result in some additional losses in the school land grant which in turn will necessitate additional selections. Very close attention is being given to this particular business. The total selections during his successful administration exceeds 120,000 acres, and with comparatively few exceptions these selections have already been clear listed (patented) to the State. Mr. Choquette also examines all applications for rights of way over State lands, and has charge of finding lessees and purchasers for the lands that the State has taken over under its farm loan mortgages.

The office of State Forester, held by Mr. Rutledge Parker, is operated independently of this office, but all the same Mr. Parker is constantly rendering numerous services to us for which we feel ourselves deeply indebted. These two offices are working together in perfect harmony.

Some of the friends of this department throughout the state have already been mentioned in this report. In addition to these we want to mention Dr. Melvin A. Bramon, Chancellor of the State University; Dr. H. H. Swain, Executive Secretary; Dr. C. H. Clapp, President of the

State University; Dr. N. J. Lennes, Dean of the Department of Mathematics; Dr. Alfred Atkinson, President of the State Agricultural College; Dr. Francis A. Thomson, President of the School of Mines, and Dr. R. J. Cunningham, Secretary of the Montana Education Association. The encouragement and assistance given by these gentlemen are of inestimable value. Dr. Thomson and his associates are rendering special services to this department in the examination of State mineral lands. Without these examinations the State would be very much in the dark in granting mineral leases to its lands; these services are therefore of particular value.

The 1931 Session of the State Legislature enacted considerable constructive legislation relating to this department as already explained. Senator S. A. Holt of Powder River County, Chairman of the Committee on State Lands in the Senate, and Representative Thomas A. Ross of Blaine County, Chairman of the Committee on State Lands in the House, were particularly helpful.

There are a great number of other persons scattered throughout the entire state whose friendly and helpful attitude is deeply appreciated and will be long remembered.

The Press

This department is constantly seeking to give information about its affairs and its problems to all the people of the State of Montana, and this can only be given through the newspapers of the state. We want to express our deep appreciation and sincere gratitude to the papers in Helena, to the Associated Press and to the great number of papers throughout the state, both daily and weekly, who are so generously giving their valuable space to information about this department. Almost without exception the attitude of the entire press throughout the State of Montana has been friendly, encouraging and helpful.

MONTANA ROOM